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# Official Report of Debates (Hansard)

Wednesday 1 October 2008

# Journal des débats (Hansard)

Mercredi 1<sup>er</sup> octobre 2008



## Standing Committee on Estimates

Ministry of Labour

## Comité permanent des budgets des dépenses

Ministère du Travail

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

Président : Tim Hudak  
Greffière : Sylwia Przedziecki



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Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 1 October 2008

Mercredi 1<sup>er</sup> octobre 2008*The committee met at 1601 in room 151.*

## MINISTRY OF LABOUR

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. I'm pleased to call estimates back in order. Minister, welcome back to the committee, again joined by the deputy minister, the assistant deputy minister on the far right, who got promoted yesterday. Your name again is—

**Ms. Susanna Zagar:** Susanna Zagar.

**The Chair (Mr. Tim Hudak):** Thank you very much, Ms. Zagar, and—

**Ms. Sophie Dennis:** Sophie Dennis, operations ADM.

**The Chair (Mr. Tim Hudak):** Terrific. That will help with Hansard if you're answering any questions.

Mr. Rinaldi.

**Mr. Lou Rinaldi:** Mr. Chair, on a point of order—just a comment. I spoke to the colleagues across and there wasn't an agreement, but we do have a vote at 5:35 tonight for your opposition day motion, and my suggestion was that we'd be prepared to knock 10 minutes off our time, if the other parties wanted to do that, and then we're going to have to come back. But it's strictly up to the committee.

**The Chair (Mr. Tim Hudak):** So after the vote, you don't want to come back today?

**Mr. Lou Rinaldi:** Well, by the time we break and come back—I'm just saying that we have a number of staff here that—

**The Chair (Mr. Tim Hudak):** Yes, I understand.

**Mr. Lou Rinaldi:** It would probably take a good 20 minutes or half an hour, and we'll come back for a few minutes.

**The Chair (Mr. Tim Hudak):** Yes, I think you're right. I don't think there's much sense in coming back after the vote, if that's the time. We would just add the time onto our next meeting.

**Mr. Lou Rinaldi:** I was going to recommend that we knock 10 minutes off and then we terminate this session.

**The Chair (Mr. Tim Hudak):** Right. At 5:30?

**Mr. Lou Rinaldi:** Yes, if there's—

**Mr. Randy Hillier:** Chair, if we want to put the time off to another day, that would be acceptable, but not to lose that time.

**Mr. Lou Rinaldi:** Then we carry on.

**The Chair (Mr. Tim Hudak):** Okay. There's not all-party agreement on that, which we would need to change our procedures, so I'll just continue.

We are here to resume the consideration of the estimates of the Ministry of Labour, vote 1601. We have four hours and 26 minutes remaining. When the committee was adjourned, the third party had just finished their 20-minute segment, so it's now the government members' turn. You have 20 minutes. Who would like to take the questions? You have 20 minutes, government members.

**Mr. Lou Rinaldi:** I thought the rotation started on that side?

**The Chair (Mr. Tim Hudak):** No, I think we finished with Mr. Kormos, who was representing the third party, yesterday. It is the government members' time, Mr. Rinaldi.

**Mr. Lou Rinaldi:** Okay. Thank you. Sorry about that, Chair.

**The Chair (Mr. Tim Hudak):** Not a problem.

**Mr. Lou Rinaldi:** Thanks very much. Sorry for the confusion here.

Minister, it's the first time I get to ask a question. It's good to have you here. I know that it's one more day of your duty as minister, so I know you'll have a lot more answers at the snap today. I know you—

**Hon. Peter Fonseca:** We'll try, Lou.

**Mr. Lou Rinaldi:** —stayed up all night to bring you up to speed. I have all the confidence in the world that you will ramp it up.

Minister, I just want to talk about minimum wage a little bit and, in fact, some of the progress we've made since we formed the government. I know you talked about it in your opening remarks the other day, that for some eight or nine years there was no movement on minimum wage. I can tell you during the campaign trail of 2003, my first run at the provincial seat for the riding of Northumberland—Quinte West, that was certainly a question that was at the forefront. Probably right across my riding it came up as certainly something that we needed to do, among many other things. We've made some substantial progress, as you mentioned the other day—the percentage increased. We do have a plan to move it forward. Of course, the argument, as you know, since we made those initial improvements to the minimum wage—all of a sudden we get the rhetoric and criticism: "We need to do more sooner." Yet in 2003—I stand to be corrected—I think our platform was the only one that said it would address such an issue.



I guess where I'm coming from today is that I think we need to clarify where we are, what progress we've made and what lies ahead, both from an employee's standpoint and obviously an employer's standpoint. I remember then-Finance Minister Sorbara—when we made this announcement he was the minister—had some statistics about how raising the minimum wage would impact both sides of the equation, based on some of the economic challenges we face today. So I guess a little bit of history of where we've come to and your perspective on how we move forward and those types of things.

**Hon. Peter Fonseca:** I'd like to thank the member very much for the question and putting it into the perspective of where we were a number of years ago, where we are today and where we're going. I think back to a number of points. Back in 2002 and 2003, as I was campaigning and knocking on many doors, one of the things I spoke to was our commitment to increasing the minimum wage. I knew it was very important, and I'll tell you why. It takes me back to another stage in my life. At age 14 and 15, many of the jobs that I held paid minimum wage, and I looked at what the minimum wage was, what I would be getting paid at the end of the day and the end of the week and how I would be able to use those funds to buy a pair of jeans or a bike or save for something else that—

**Mr. Randy Hillier:** Mr. Chair, on a point of order: Is this not the estimates committee, where the questions are supposed to have some relevance?

**The Chair (Mr. Tim Hudak):** Yes, Mr. Hillier, I appreciate it. As Chair, I do give scope for members to ask things that pertain to the ministry's operations. Potential significant funding is assigned to administrative purposes and policy making, so I do think Mr. Rinaldi's question about minimum wage policy is in order. Please go ahead.

**Hon. Peter Fonseca:** Thank you, Chair. Back as a student—and I speak as a student making that minimum wage and how important those dollars were to be able to buy some things that would address some needs that I would have as a youth. I say that because actually many of the people who make minimum wage—I understand 75% of those earning minimum wage are under the age of 24, and the other 25% are some of our lowest-paid earners in Ontario and some of them are the most vulnerable workers.

At the time, back in the 1980s, the minimum wage was still at a level that I felt was quite fair for Ontario, for our economy. Actually, I remember comparing it to other jurisdictions, and we were well ahead of others. Unfortunately, over a nine-year period from 1995 to about 2003, that minimum wage was frozen. It didn't go up by one cent.

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That affected a lot of people. As inflationary pressures came on, the minimum wage did not continue—the Ontario economy was actually going through a boom time, and still there was no increase to the minimum wage. I thought that was very unfair to those workers who earned

the minimum wage. It was something that I was impassioned by, as I'm sure the member was, and all of us here, as we campaigned in 2003 to make a change to start increasing that minimum wage in a very fair and balanced way to be able to provide dignity and respect to many of those workers whom I felt were not looked after. They did not have a voice here in Ontario, and we wanted to make sure that we could bring them that voice.

Minimum wage also fits very well into what we're trying to do with our poverty agenda, looking at addressing that.

What we've done from 2003 to where we are today in 2008, with the minimum wage at \$8.75: I believe it was about \$6.85 prior to coming into government, so we've increased it by 40%. Come March 2009, it will be going up to \$9.50. It will take us to the highest minimum wage in all of Canada. We have come from close to the bottom right to the top. We've also made another commitment to 2010, when we will be raising the minimum wage again, to \$10.25. This will increase the minimum wage by 50% since we came into government in 2003. We've restored all those years where it wasn't touched.

I think we've done a lot of restoration. We've shown those vulnerable workers, many of them our youth who do earn minimum wage, that we care, that we're there with them. But we also have to balance this, especially in these tough economic times, making sure that we do it in a very prudent way, in a responsible way.

Small business really drives our economy, and there are many small businesses that have maybe two or three or five people on the payroll. Their margins have really shrunk over time through no fault of theirs, much of it outside of anybody's control: The cost of oil going up means the cost of gasoline has gone up; there have been other pressures. We want to make sure that we continue to move forward in this very prudent and balanced way, fitting the minimum wage into other of our initiatives, other things that we want to make sure happen here in our province. One is addressing poverty, but doing it in a very comprehensive way. The minimum wage is a key piece to that, I say to the member, and it's something that we should all be very proud of, as I said here yesterday.

**Mr. Lou Rinaldi:** Thanks, Minister. Anecdotally, back to when I first came to this country, which was quite a while ago, in 1960, I was 13 years old, working Friday night, Saturday and Sunday at a local butcher shop for \$3. So we have come a long way.

How much time have we got here?

**The Chair (Mr. Tim Hudak):** Eleven minutes.

**Mr. Lou Rinaldi:** Oh, good, Minister, I just want to go back once again. I believe the opposition talked about the claims backlog under employment standards. It certainly is an issue. It's something that I know my constituency office gets some questions on. From time to time, we do get some folks inquiring, because frankly, in rural Ontario, our constituency offices become automatic government offices, and we're delighted to be able to serve the people. Whether it's for a driver's licence or for a birth certificate, we become the catch-all, which is actually quite interesting.



Minister, back in 2007, the ministry was given some \$3.6 million. This supposedly was to help the employment standards program better enforce the legislation and get rid of some of the claims backlog. Yet we hear that this backlog could actually be growing—I don't know that for sure—rather than shrinking. With that added investment, can you give us some explanation, you know, where that part of it is going?

**Hon. Peter Fonseca:** I thank the member for the opportunity to speak to an issue that is very important to thousands of workers across Ontario who have put in an employment standards claim. What we've done, I say to the member, is we've modernized our system. The modernizations to our system have helped our workers. Now, at any time of the day, 24/7, workers—those who have a claim to make about an employment standards issue—can do that online. That has really increased the number of claims a great deal for us.

I see that as a good thing because prior to that, when claims were down, my understanding was they probably were down because workers felt that they didn't have access—those who felt that they had a claim to put in—that the system was difficult to navigate, to manage. It could be due to many different barriers, be it having to get to a particular office, or it could be a language barrier or the like. So yes, we've modernized the system. There is a central intake office; it's in Sault Ste. Marie. We have added an additional \$3.6 million, and that has helped us also bring on 20 staff to address this major backlog.

I also wanted to clarify something. Yesterday I was talking about our ES officers, and I think the member for Parkdale—High Park had asked me a question. It was about something around 100 employment standards officers. I misunderstood the question as to did we have 100 or are we bringing in 100. I just want to bring a little clarification to that. We actually have 146 employment standards officers. We've put in this additional \$3.6 million, and that is year over year; the \$3.6 million will be there. I wanted to clarify that we never made a commitment, which I believe is what the member brought up, to an additional 100 employment standards officers.

But in terms of the claims, yes, we have seen a rise in terms of the numbers and the backlog. This will help address those numbers, in terms of the \$3.6 million. But I do want our ADM to take you through some of the historical perspective of how we got here.

**Ms. Sophie Dennis:** Thank you, Minister. I'm Sophie Dennis, the operations assistant deputy minister. I just want to tell a little bit of the story of where we're at today.

First of all, to start off, our staff are committed to getting as many files closed as quickly as possible and getting money in the hands of workers as quickly as possible. We've implemented several service improvements over the years, one of which the minister has already mentioned. We have partnered with Service-Ontario to enable workers across the province to have

access to filing claims in communities where the Ministry of Labour offices are not present. For example, the city of Stratford has a common counter, a government counter, where workers in that community can now go and file an employment standards claim. The Ministry of Labour does not have an office in Stratford, and workers would have been required to either drive to our London office or drive to our Kitchener office. So we've increased our availability to the communities from 25 centres to 63.

We've also enabled our clients, our workers, to file their claims not only at the counter, but to mail them in. As the minister indicated, they all go, whether they're from the counter or through the mail, to our centre in Sault Ste. Marie.

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At the same time, we were looking at trying to broaden our access even more, so we entered into an electronic claim form. It's an access now that workers can achieve whether they're using their computers at home, the public library, Internet cafés or the church hall. Anywhere that they have access to a computer, they're able to file an electronic claim. What that has done is allow workers, who normally would have walked away from a \$100 or \$250 claim because they would have had to take time off work to come to one of our offices during core government hours to file a claim with one of our officers—now they can do it virtually. They can do it at midnight or on weekends. If they have a problem understanding the claim and have someone working with them, whether it's their teenaged daughter or son or community support to help them fill out the claim, they can do it 24/7. What that has done is really given us a better perspective of what the compliance rate is out there with respect to the employment standards legislation. We have had a 20% increase in our claim volume.

Regardless of that, with the 20,000 claims we had last year, our staff were able to close 18,000. With our system of centralizing the claims out of our Sault Ste. Marie offices, we have realized real efficiencies and process improvements, to the point that 87% of the files that are sent to our Sault Ste. Marie centre are resolved without even having to issue an order, because we have dedicated staff—we mentioned the 20 additional staff out of the \$3.6 million funding—to resolve those claims as quickly as possible. We're able to achieve that because as the files come in, they are what we call fresh, which means the workers are still in Ontario, still available to us and perhaps the file came in and the employer really didn't understand they were supposed to do what they are supposed to do—pay people appropriately, vacation pay issues. Because it's new and fresh, we're able to get to the employer and the worker very quickly and bring about resolution. So 87% are resolved without having to issue an order, and 90% are resolved at this stage of our investigation.

Only those that are unable to be resolved at an early stage—what we call our early resolution process—go into an electronic case management system, which is



another service improvement for us, that basically allows us to move the workload across the province to any officer in any one of our offices, so that we can maximize the available time of our officers, again to expedite the investigation and get the money in the hands of workers sooner. Even though we've gone through the process of early resolution and it's still not resolved and goes to what we call our employment standards officer two, we're still working, trying to resolve it. We try what we call our decision-making meetings, which is a dispute forum where you bring the employer and the employee together to try to resolve it through mutual agreement, and where not possible, sometimes a site visit will occur to audit or investigate, or more phone calls are made. If that's not appropriate, then orders and decisions are made and forwarded for processing.

Again, even though we've implemented many service improvements, I believe that the volume of claims we have right now is because we're now getting to those workers who walked away, who couldn't afford to take the time away from work to file a claim. You're talking about people who are walking away from maybe \$250, but that \$250 is now accessible to them.

**The Chair (Mr. Tim Hudak):** You've got about a minute and a half left, Mr. Rinaldi.

**Mr. Lou Rinaldi:** That's probably not enough time to go to another question, but just briefly, Minister, I want to talk about the overall finances of the ministry. We've had some substantial increases within last year's budget, and I know that the additional workforce to deal with what we just heard probably accounts for some of that, but I'm sure it's more than that. We had increases of some \$9.3 million last year, over the previous year, and other budget increases of over \$9 million. I know it's going to take some time for you to explain that, but if you want to start on it now, then we will carry on.

**Hon. Peter Fonseca:** I just wanted to ask Sophie also to let the members know, for all those claims, how much money was able to get to those workers on a yearly basis, now that those claims are being expedited that much quicker. I believe it's around \$10 million. Is it \$10 million?

**Ms. Sophie Dennis:** Ten million dollars.

**Hon. Peter Fonseca:** About \$10 million a year that's going to those workers who would otherwise not have received it.

**The Chair (Mr. Tim Hudak):** Terrific. Thank you very much, Mr. Rinaldi. That will conclude that round.

The official opposition has 20 minutes for questions. Mr. Hillier.

**Mr. Randy Hillier:** Thank you very much, Minister, for being here once again.

Just to follow up on some of the questions of yesterday, there were a number of questions that were left unanswered, and you made a commitment to get those answers for us. I was wondering if you had those available yet.

**Hon. Peter Fonseca:** Well, I'll ask the ministry staff, but I do want to speak to the member about some of the

comments he made yesterday. I had time over the evening hours to think—

**Mr. Randy Hillier:** No, before we go into that, you don't have those answers from yesterday?

**Hon. Peter Fonseca:** They are still working on them.

**Mr. Randy Hillier:** Still working on them. Okay, thank you.

My first question, I guess, then, is—from reading through the briefing notes, it appears, if I have this correct, you have about 1,500 employees total in the Ministry of Labour, give or take.

**Hon. Peter Fonseca:** That's about correct, yes.

**Mr. Randy Hillier:** I was wondering if you could tell me—we've heard a lot of different terms: employment safety officers, job protection officers, construction safety officers, health officers. Can you tell me, out of that 1,500, in total how many employees like these job protection officers or employment standards and whichever other officers you may have in the Ministry of Labour have enforcement authority?

**Hon. Peter Fonseca:** The vast majority we've spoken quite a bit to, which are the 430 inspectors who go out and do occupational health and safety inspections. We were just talking about our employment standards officers. We have 146 of those, if the numbers are correct. If I don't have those numbers exactly correct, please correct those, Deputy or ADM. So those would be the main ones. I think there may be a few others who also have those powers. But I'll defer to the deputy minister, and she can tell you. So that is about 600 right there, right?

**Ms. Virginia West:** That would be the majority of the officers who have inspection or other statutory authority. In addition to that, we have six or eight job protection officers, and there are officers in the Pay Equity Commission as well who would have statutory authority.

**Mr. Randy Hillier:** How many would you have in pay equity?

**Ms. Virginia West:** There's a staff of about 30, but I would say maybe about 18 or 20.

**Mr. Randy Hillier:** So somewhere around 600 employees, give or take, have authority for compliance and fines.

**Hon. Peter Fonseca:** Approximately 600.

**Mr. Randy Hillier:** Okay. One of the questions—I had my terminology incorrect yesterday. I was talking about part I fines. The one that I was referring to really is part III fines. Those are the fines that are greater than \$50,000. Going through the briefing, those fines don't show up anywhere. I'm just wondering where those monies that the courts award go.

**Ms. Virginia West:** As the member knows, we gave an undertaking to get the specific information on the amounts of fines. But the money does go to the municipalities—

**Mr. Randy Hillier:** Even the part—

**Ms. Virginia West:** Part III; part I goes under the Provincial Offences Act or the agreement with municipalities, so it does go to the municipality in which the



prosecution is held, unless the defendant is a municipality itself, and then they don't get the revenue.

**Mr. Randy Hillier:** I'd be interested to see where it goes then.

Can you tell me, because I was going through these numbers, what is the total amount in the last fiscal year of part III fines? What is the aggregate amount levied or awarded?

**Hon. Peter Fonseca:** As the deputy was just saying, we have committed to getting those numbers for you.

**Mr. Randy Hillier:** I just wanted to make sure; they're the part III numbers as well that we're looking to get.

**Ms. Virginia West:** We can get you all the information with respect to tickets, part Is and part IIIs. I think you were asking for historical information as well, or perhaps Mr. Bailey was.

**Mr. Randy Hillier:** On these job protection officers who are really enforcing the MTCU legislation, does the Ministry of Labour get reimbursed or is there a memorandum of understanding for financial contributions to the Ministry of Labour for enforcing the TQAA—

**Ms. Virginia West:** No, we don't get reimbursed by Training, Colleges and Universities. Obviously, the costs of that are within the budget of the Ministry of Labour.

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**Mr. Randy Hillier:** Okay, so you absorb that cost from that ministry.

**Ms. Virginia West:** Within our budget; that's right.

**Mr. Randy Hillier:** That's not very typical, is it?

**Ms. Virginia West:** There are some other ministries that do enforcement work for other ministries. I think the Ministry of Natural Resources does investigation work for—

**Mr. Randy Hillier:** OMAFRA.

**Ms. Virginia West:** —the Ministry of Agriculture and Food. So there are other situations where there's a sharing of resources.

**Mr. Randy Hillier:** Okay. I see there has been quite an increase in both the total field visits by health and safety inspectors and orders issued. In 2004, 53,000 field visits; for this year, actuals up to February 29, 96,000. That's quite a significant increase. Also, the total number of orders issued has increased from 90,000 to approximately 170,000. These are now supposed to be more targeted to those—I'm not sure of the right word, but employers that the Ministry of Labour is somewhat wary or leery of, I guess I might say. It seems to me that nearly 100,000 visits in a year—are there that many employers that the Ministry of Labour views as underperforming? This is just the occupational health and safety.

**Hon. Peter Fonseca:** I spoke to some of the broad numbers yesterday in my statement and also to some of the questions. But what I understand is that the member is looking for some more detailed information, and that's why I've asked Susanna Zagar to—sorry, Sophie Dennis to be with us; that's Susanna Zagar on the other side. So Sophie will help you out. She has the detailed info here for you.

**Mr. Randy Hillier:** Maybe I'll go on. We can see the cost to your ministry in enforcing the Occupational Health and Safety Act and various other acts. Does the ministry track lost time and lost productivity due to these 100,000 visits? Do you track how much time in employee productivity is taken away or downtime for the employers to travel around with your inspectors or do whatever? Do you track? If you do track, how much lost time and lost productivity is the result of your inspections?

**Hon. Peter Fonseca:** I'd say to the member, first off, that the mandate of the ministry and our primary focus is to make sure that we have fair, healthy and safe workplaces. We do that by having inspectors who go in and work with the employers to make sure that they know what is necessary on-site for the Occupational Health and Safety Act requirements.

We are working towards reducing the number of injuries in the workplace. I know the member wants to talk about productivity and the numbers and the effect on business and our economy. But what I can tell the member is that with 54,000 fewer workplace injuries, there has been a savings of \$5 billion for those employers, and there has also been the reduction in pain and suffering that would have happened if we'd had those injuries.

**Mr. Randy Hillier:** Okay, but the question is—

**Hon. Peter Fonseca:** That's the role of the ministry, what the ministry is here to do: We're here to enforce—

**Mr. Randy Hillier:** I understand that. I've read the document, and I understand that. I've seen the figures. What I'm trying to flesh out here is: Does the ministry look at all the consequences and all the costs, or is it just a very narrow view that has been demonstrated here in these documents? Do you track lost-time productivity, downtime by your enforcement people?

**Hon. Peter Fonseca:** I'll ask the deputy minister to answer that.

**Ms. Virginia West:** Maybe I can try to respond to that and invite Sophie Dennis as well if you want further detail. Certainly, we understand the need to balance our responsibilities for enforcement and ensuring compliance with respect to the broader issue as well of businesses' productivity and the cost to business of compliance, themselves—but also having to engage with our inspectors. We do understand that that activity, in and of itself, does cause a cost to business, but obviously our primary interest, particularly on the health and safety front, is ensuring that those businesses understand what their responsibilities are, have good internal responsibility systems in place to respond to those, and conduct their practices safely as well. As the minister mentioned, the value to them in ensuring that they have good health and safety practices has a bottom-line dollar value as well.

**Mr. Randy Hillier:** Sure.

**Ms. Virginia West:** But we understand that the interaction has a cost to them, too. That's why also, on the small business front, we understand that small businesses have a lesser capacity both to understand what their re-

sponsibilities are but also to bear the cost of that interaction, so we're looking for other tools to assist them.

Better information—I mentioned the compliance information centre yesterday. That's an electronic presentation of responsibilities with different tools to assist them, again, in understanding the compliance responsibilities and being able to respond to them, and therefore avoid being on a high-risk list and inviting four inspections a year.

I don't know if you want Sophie to talk about how the inspectors individually or particularly are trained and expected to—

**Mr. Randy Hillier:** No, I've seen the inspectors directly, face to face. What I was looking for is if the Ministry of Labour is looking at the whole picture. Clearly, if we're not collecting data of the consequences, not only the positive consequences but also the negative consequences, then we're getting an incomplete picture of just how much value the Ministry of Labour is providing to the people of Ontario and the employers and employees in Ontario. We all know that it is a very competitive marketplace out there; it's a global marketplace. We have to be competitive everywhere, and I'm hoping that the role of government is to assist our businesses being competitive, not to become an obstacle to it.

There's another program; I'm not sure if it's under your purview or not, but it's another one that has come up in my riding significantly. It was referred to as the Workwell program. I'm not sure if it's Ministry of Labour people doing that. I'll give you one example: One employer had to take a year to prepare for the audit, and then his operation was shut down for a week. Is that under your ministry officers?

**Hon. Peter Fonseca:** I'd say to the member, and I thank him for the question, I understand the program is run by one of our agencies, the Workplace Safety and Insurance Board. Sophie's got some information for the member on that Workwell program.

**Ms. Sophie Dennis:** The Workwell program is an administrative audit by the WSIB. We don't administer the Workwell program; it is strictly under the Workers' Compensation Board.

But I did want to talk to you a little bit about sensitivity to business and having a balanced approach in terms of our compliance strategy, because we are about compliance with the legislation. Of course, as you know, the legislation is the minimum standard. All we're really asking employers to do is comply with the minimum standard. Our four-year strategy, which was deemed to be the high-risk strategy, was looking at those we considered to have the highest injury rates in their sector, with a weighted average over a three-year period—so companies that had a bad record with respect to lost-time injury. We were focusing on those ones first.

What our Safe at Work strategy does now is allow a broader dialogue—not only the data, which is what you would call the lagging indicators; it's just dealing with injuries that have already occurred—having more of a

dialogue with respect to, what are the hazards in their workplace? For those companies that, because of the nature of their business, have high hazards, they're having high injury rates and they're not managing them effectively and we're getting a lot of complaints—businesses can expect to see us. For those organizations that are managing their injury rates to the numbers that are appropriate, that are dealing with the hazards in their workplace, the difference in program between our Safe at Work strategy and a high risk will enable an officer not to visit those workplaces as often, which should not be a burden.

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**Mr. Randy Hillier:** I understand the safety side of things. As somebody who has worked in construction, I understand safety. I understand that safety begins at home and in your own workbooks. That's where it starts, and that's where it really ends.

I talked earlier about tracking the cost to businesses, and the Ministry of Labour is not doing that. I'm wondering how many businesses have been forced to close in Ontario because of issues with the Ministry of Labour—enforcement, fines, whatever it may be—where your fees or costs have been a significant or contributing factor to the closure of that business. I guess we might see that in unpaid fines, people who go bankrupt while there are still outstanding fines. Can you give me any idea of the numbers of those businesses?

**Hon. Peter Fonseca:** I'd like to speak to this a little bit with the member, because I think his colleague has brought up a question in the House and he has made some statements about our inspectors. One thing I'm going to say to the member today, and I'll say it in the future, is that I will not apologize for the good work that our inspectors do. They ensure safety for all those workers in the workplace. I'm not going to stand in this House and start to lower standards, if that's what the member is asking for.

**Mr. Randy Hillier:** I'm asking you how many businesses have been closed due to actions by the Ministry of Labour.

**Hon. Peter Fonseca:** The member has to understand that we take a balanced approach. But we do work with businesses, and we do have to make sure that those businesses are compliant.

**Mr. Randy Hillier:** I would like to understand what the balance is. We need to know what the number is on the other side so that we can understand what the balance is.

**Hon. Peter Fonseca:** The reason I say this is that the theme of the member's questioning is one that's going toward getting rid of standards, saying that we shouldn't be sending in our inspectors.

**Mr. Randy Hillier:** Let's not put any words in my mouth. I've never suggested that we reduce standards. I want to know what the cost and the consequences are. How many businesses have been closed due to the actions of the Ministry of Labour, and with those numbers of businesses, how many employees are out of work?



**Hon. Peter Fonseca:** What I can give the member is the cost of one lost-time injured employee, and that's about \$100,000.

**Mr. Randy Hillier:** That's not the question that was asked. How many businesses have been closed due to the actions of the Ministry of Labour, or where your actions have contributed to the closure?

**Hon. Peter Fonseca:** As I said to the member, we make sure that businesses are compliant. We make sure that businesses are safe, healthy places to work and that there is fairness. We do work with employers. We work with our partners, we work with labour, employees and employers, to build a healthier, safer, stronger Ontario. The member, I feel, is not on side with that, although I will say to the member that when he talked about health and safety starting at home, be it whatever workplace you're going into, the member is correct.

What we are trying to do in this ministry and in this government is to make a mindset shift. We want to make sure that health and safety is part of the culture of a workplace.

**Mr. Randy Hillier:** I'm trying to understand if all our employees will be at home because there won't be any work for them. I'm trying to understand fully the role and responsibility of the Ministry of Labour, here, before this committee. We need to understand what the total cost is of your Ministry of Labour and we need to have facts. We need to have information in order for us to fully understand how much value we're getting. Right now, we're getting half a story; we're not getting the complete story, and I would like to get the full story.

**Hon. Peter Fonseca:** I've explained to the member—

**The Chair (Mr. Tim Hudak):** That wasn't a question. I think it was more of a statement by the member.

**Mr. Randy Hillier:** No, it was not a statement. It was a question. I want to understand the full cost of the Ministry of Labour.

**The Chair (Mr. Tim Hudak):** In the interests of time, we will have to come back, Mr. Hillier. Your time has expired. You can bring that up in the next round.

Mr. Miller, 20 minutes for the third party.

**Mr. Paul Miller:** Once again, welcome, ministry personnel and our new minister. You'll have to bear with me, I've got a bit of a nagging cough here. Thank you for the Halls; that helped.

The bottom line here is that yesterday I sat in the morning session and, to be frank, Minister, I was extremely disappointed. I didn't get a lot of answers. In fact, I didn't get any to my questions, and I did not get any kind of response from your staff that they would get back to me with answers to my questions, and there was no time given for the responses from the ministry. So I'll move on again and hopefully today I'll get a little more co-operation as far as questions go. If you can't answer them, Minister, I will be happy to defer them to your staff. Maybe they can answer me, if you run across something you're not familiar with, and that could happen because you are new.

I left off with deeming, which is a very important aspect of the WSIB and the way they handle things. I got absolutely nowhere with that, so I'm going to move on to a report which came out a year and a half ago on the SARS commission. It's now more than a year and a half since the late Justice Archie Campbell released the final report of the SARS commission. According to Justice Campbell in his report, "The tragedy of SARS, the stories of unbearable loss and systematic failure, give the public every reason to keep the government's feet to the fire in order to complete the initiatives already undertaken to make us safer from infectious disease ... If we do not learn from this and other lessons of SARS, and if we do not make present governments fix the problems that remain, we will leave a bitter legacy for those who died, those who fell ill and those who suffered so much."

The reason for my line of thinking on this is that a number of recommendations are directed to your ministry from Justice Campbell. The very first recommendation as it relates to your ministry is to include the precautionary principle in the Occupational Health and Safety Act operational standards and directions. He also called for it to be the guiding principle in the development of worker safety procedures, guidelines, processes and systems.

Will you, Minister, amend the Occupational Health and Safety Act to include the precautionary principle and make the precautionary principle the guiding principle for the ministry as envisioned by Justice Campbell?

**Hon. Peter Fonseca:** I'd like to thank the member for the question. I want to thank the commission for the report that it brought forward. We have carefully reviewed that report and addressed the report's recommendations on improving worker health and safety and emergency management, and I'll let the member know where we are now.

We've hired these additional 200 health and safety inspectors, nearly doubling the ministry's capacity since then. For the first time, seven health and safety inspectors are now dedicated just to the health care sector. All 233 Ministry of Labour industrial sector inspectors and hygienists have been trained on infection prevention and control measures and procedures to protect our health care workers.

Our government has also stepped up inspections of all health care facilities identified as having higher than average lost-time workplace injuries, higher than average WSIB claims costs for their sector, known hazards inherent to health care work, those with new or vulnerable workers and those with a history of non-compliance. Our plan also includes additional inspections of selected hospitals, long-term-care homes and community care facilities. This is how we've been moving forward, I say to the member—

**Mr. Paul Miller:** Thank you. That's an excellent response, Minister, but I think I'm looking for this: Will your ministry prepare a written report on the progress of implementation of the recommendations to the Ministry of Labour from the SARS commission report? We're not going to talk about industrial inspectors. We're talking



about the SARS commission report. We're talking about the health inspectors. Will your ministry be providing new funding to implement the recommendations directed at your ministry, including increasing the number of occupational health physicians across this province? Also I might add, when you quoted your numbers, Minister, that it has come to my attention that you are down 30 inspectors; there are 30 positions available for inspectors that haven't been filled. Maybe you could get back to me on that too.

These are health-related inspectors. We're not talking about industry; we're not talking about food inspection. We're talking about health. Are you going to put out a written report? It has been a year and a half since this report went in from the SARS commission.

**Hon. Peter Fonseca:** I say to the member that I'm quite satisfied with how I answered his question, and I'd like to move on.

**Mr. Paul Miller:** Okay. I guess that's your perspective, not mine. Anyway, we'll move on.

Reprisals: Young and vulnerable workers need to know that they will be protected when they raise health and safety concerns with their employers. Your ministry refuses to allow inspectors to enforce section 50 of the act, which prohibits reprisals against workers for exercising their health and safety rights. In fact, your ministry has never prosecuted an employer for violating that provision of this act—not one, and there have been thousands of violations of section 50.

When will your ministry begin to exercise its authority and assure young and vulnerable workers in our province that ministry inspectors will be able to protect them if their employer carries out a reprisal? What I want to do, Minister, is give you three examples of reprisals that have happened lately, which fall under section 50, which your ministry and the WSIB oversee.

Example one: This worker was let go following a refusal to climb a 300-foot tower in extreme rain and wind conditions with insufficient PPE provided; no rescue policy in place, no health and safety rep available, no stage one investigation done. It says, "An inspector may also contact this caller."

This has come right out of your own information. Not only did they not enforce the law of the province; these guys were fired because they wanted a health and safety inspector. It was a 300-foot tower, rain and wind, and they got no response from the ministry.

Example two: A young worker was working with an electric weed trimmer on nursery grounds. He requested hearing protection, as the noise was becoming too uncomfortable. He had been working with the same equipment, sometimes doing a full day's work without any earplugs, and didn't want this to continue. The decibel level was unbearable. He was starting to lose his hearing. The caller states, "He was terminated immediately for having asked this question about earplugs. There was a box of earplugs at the beginning of the season. However, the supply had gone, dried up halfway through the season. The worker has been employed with the company

for approximately two and a half months and states he has no history of conflict with the employer. There are no further details at this time. Worker was also advised of OLRB contact information." This unfortunate individual was fired for asking for earplugs. That would fall under section 50.

These are young, vulnerable workers; we're not talking major plants with unions and health and safety reps, and this is throughout our province and happens on a daily basis.

My third example: At 11:31 a.m. a caller reported that a retail store she works for is undergoing construction. The entire store was being renovated, and there were ladders, glass, wood, power tools, drywall and X-ACTO knives for the construction company all over the place as well as store stock strewn all over the floor. The company remained open for business and the caller felt it might be unsafe for her and the customers. The caller was advised of her right to put in a complaint and/or do a work refusal. The caller chose not to put in a complaint. At 12:50 p.m. the caller called back to report that she chose to try to resolve it with the company and contacted the owner of the store. According to the caller, she explained her concerns and notified the owner of her right to refuse to work under the guidelines of the province. The owner's response was, "You know what? You're fired." The caller was referred to ES and OLRB. This is another information that has been given to me.

This is just one of hundreds of cases that I can state. There is no protection for vulnerable young workers in this province who don't know their rights because of a lack of information from the ministry, lack of telling them and letting these kids who are coming out of high school know their rights. I, personally, have seen teenagers killed on the job because they hadn't been informed about the dangers on the job. It happens all the time in this province. This ministry is not moving in the right direction. What is your explanation for that?

**The Chair (Mr. Tim Hudak):** I'd ask the member, do you want to address the individual cases or do you want more of a general—

**Mr. Paul Miller:** As a whole—it doesn't matter. You don't have to pick individual cases.

**Hon. Peter Fonseca:** As the member knows, I can't speak to any individual cases. The member does bring up the fear of reprisal or that some of these workers are feeling that they are being treated unjustly. What they can do is, they would be able to call the Ministry of Labour. An inspector would go out. They would look at the case and refer it, I believe, Deputy Minister, to the OLRB, the Ontario Labour Relations Board?

**Ms. Virginia West:** They would advise the individual with the complaint.

**Hon. Peter Fonseca:** Going a little bit more in depth with—as I said, we can't speak to any individual cases—how the process would work, or the safety measures that are in place and the checks and balances, I'm going to ask Sophie to speak to that.

**Mr. Paul Miller:** Before Sophie answers, I want to say one thing. You have a section of your directive—

number 50. I'd like to reiterate: Not one person in this province has been charged under that section for abusing workers and firing them—not one person, hundreds of cases. Why?

**The Chair (Mr. Tim Hudak):** You want—

**Mr. Paul Miller:** I want an answer.

**The Chair (Mr. Tim Hudak):** —the deputy minister to respond to the first—

**Mr. Paul Miller:** I don't care who answers. Why, in all these years, not one?

**Hon. Peter Fonseca:** I'd ask the assistant deputy minister to respond in full, first, to some of the—and the member should bring, if the member has any cases that are taking place in his riding, and I know he brought one about a boat or something?

*Interjection.*

**Hon. Peter Fonseca:** You brought one about a boat yesterday—

**Mr. Paul Miller:** No, that wasn't a case, Minister; you're misinformed. That was about people who were given incentives to not report accidents. That's a little different.

**Hon. Peter Fonseca:** What I ask the member to do is, he should call the Ministry of Labour when he has evidence about anything like that, like what we were talking about yesterday—

**Mr. Paul Miller:** I'm not an inspector and I'm not a sheriff. It's the ministry's job to inform these young workers of their rights throughout this province before they get killed or injured on a job, or they're fired or disciplined for asking to protect themselves. That's not my job.

**The Chair (Mr. Tim Hudak):** Can I interrupt? There are three different items on the floor, so I'm going to ask the assistant deputy minister to respond to Mr. Miller's first point about the situation around the three workers he identified. Then, I think Mr. Miller has a question with respect to section 50, if I followed correctly—

**Mr. Paul Miller:** I asked that initially, but it fell on deaf ears.

**The Chair (Mr. Tim Hudak):** Okay.

**Ms. Sophie Dennis:** Let me address the three—I can't address the specifics, but I'd be willing to meet afterwards. If you would like to give me that information, I could certainly look into them. But I think what you've identified are really systemic issues in those workplaces. Typically, what we say to workers and workplaces—particularly workers—where you've identified workers who are working without proper personal protective equipment, it probably isn't just that worker; it probably is systemic to all the workers who are employed by that employer.

We do have call centres and we have people available to take their complaints. Officers will go into those workplaces and address those systemic issues, because if it's happening to one worker, it's happening to all the workers, no doubt. So where workers are not given or afforded the proper personal protective equipment, we will enforce that.

Your point about educating young workers—absolutely. At every intervention, our officers talk about vulnerable workers—young workers, new workers are vulnerable workers. We have a website that's available for workers to have access, to get information and education. We've recently—it's a first for us in operations division—actually populated our external website with our sector strategies, and the focus gives all the workplaces information about their rights and responsibilities.

**Mr. Paul Miller:** Could I jump in?

**Ms. Sophie Dennis:** Yes.

**Mr. Paul Miller:** Thank you for your informed answer but, unfortunately, it didn't quite touch on what I was looking for. What I'm looking for is that section 50 of your ministry has not been enforced. You say that you go into these places and deal with these complaints. Not one employer has been fined or punished under section 50 for dismissing people, firing them for asking for safety equipment. You may go in and inspect, but it says right here that your ministry refuses to allow the inspectors to enforce section 50. I can't think of one case in this province where section 50 has been enforced. What section 50 does is it either fines or disciplines the employer for firing people for asking to be protected or needing safety equipment—not one in this province. I can't imagine, as you've mentioned, thank you very much—you mentioned that you have seen these cases before and complaints have come in. It's widespread throughout our province. But if you don't enforce section 50, then these employers don't take this ministry seriously.

1700

**Mr. Lou Rinaldi:** On a point of order, Mr. Chair: I appreciate the direction of the member opposite's question, but I think we're talking about estimates here. I think ministry staff, in all fairness, have been desperately trying to answer some of those questions to the best of their knowledge. They have offered to get information, and he keeps on harping on the same thing.

**Mr. Paul Miller:** No, with all due respect, point of order, Mr. Chair: Thank you for Mr. Rinaldi's comment, but with all due respect to him, this is all about money that goes to the ministry to enforce their rules, to keep employers in line. Safety and health is a very important issue, you would agree. For you to say that I'm badgering them about safety and health—that's what this ministry is supposed to enforce, Mr. Rinaldi.

**The Chair (Mr. Tim Hudak):** Mr. Miller, I think we're getting away from the purpose of estimates again. This is a time for members to direct their questions about the estimates that are reported—

**Mr. Paul Miller:** Okay, section 50: Part of their—

**The Chair (Mr. Tim Hudak):** Different members will have different ways of approaching their question. So, Mr. Miller, why don't you go ahead with your next question.

**Mr. Paul Miller:** Section 50—

**Ms. Sophie Dennis:** Okay, I'll answer that question. In section 50, we refer workers to the OLRB because of



the remedies of the OLRB and the powers that the OLRB has. Not only do they have powers for reinstatement, which we do not have, but they also have an ability to tag penalties, dollar fines, to those workplaces. We cannot fine workplaces, and we cannot reinstate workers as a result of their being fired. So the maximum protections in terms of their options for further employment with that employer or to get remedies from that employer—the best avenue is through the OLRB. We will prosecute employers that do not provide protective equipment where it's appropriate or that are in violation of the minimum standards. We do that on a regular basis.

**Mr. Paul Miller:** Could you give me a list of the people and employers you've prosecuted under section 50? I would be very interested to see how many people you've actually fined. Could you provide me with that?

**Ms. Sophie Dennis:** Again, we refer the enforcement activity under that section. We do not enforce section 50. We refer those complaints to the OLRB.

**Mr. Paul Miller:** Well, maybe we need a restructuring of the OLRB, because I find that—anyway, moving on. How much time have I got?

**The Chair (Mr. Tim Hudak):** About three minutes.

**Mr. Paul Miller:** Well, gee, I probably need about two more days, but okay. Health and safety performance measures: The Toronto Star has revealed extensive reports of serious injuries being reported as no-lost-time injuries. Your ministry is also bragging that it has reduced the lost-time injuries by more than 20%. Given the evidence of the misreporting of injuries, how can you say that these statistics are an honest reflection of the true injury rate in our province? Will your ministry develop stronger measures for health and safety? What are you going to do to ensure employers report injuries properly and in efficient time?

**Hon. Peter Fonseca:** What I can tell the member is that our inspectors have been out on the field. They've been doing an excellent job. They've been going into workplaces, they've been taking a proactive approach. They've been targeting; in our first phase we did target businesses that were high-risk, where there had been injuries or fatalities. We made sure that inspectors did get in there. We also went into particular sectors. We have seen a reduction in our workplace injuries and we will continue to. I believe that every inspector who gets up every day in the morning goes to work to make sure that they can build the healthiest and safest province possible. We have a lot more work to do in the workplace, but I say to Mr. Miller that I was looking at some of the stats. Back in 2006, we had 261,000 workplace injuries. I thought, "Well, how much is that a day?" That's 715 injuries a day. Over the time we're going to be here, that's one every two minutes. We're going to be here for two hours; there are going to be 60 workplace injuries in the time that we're here for this meeting.

**Mr. Paul Miller:** Thanks, Mr. Chair. I've got one quick question. Incentives and bonuses: Do officials at the ministry and at WSIB receive bonuses when lost-time-injury statistics are reduced? What positions are eligible for these incentive bonuses and agreements?

How much money could a deputy minister, assistant deputy minister and a director of the ministry each receive under the incentive bonus plan? At the WSIB, how much could a president, CEO, chiefs, vice-president and directors each receive under the incentive bonus plan? How much money did the ministry and the WSIB each pay out in total for bonuses last year?

**Hon. Peter Fonseca:** I thank the member for the question. I don't have the details in terms of the remuneration that takes place with Ministry of Labour staff—

**Mr. Paul Miller:** Does it happen?

**Hon. Peter Fonseca:** I will have more of that detail. The deputy minister or one of our other staff here may be able to share that information with the member. When it comes to our arm's-length agency, the WSIB, I would think that most of that information is public record in terms of the chair and the board.

**Mr. Paul Miller:** So, Minister, just one quick question: Are there bonuses given out?

**The Chair (Mr. Tim Hudak):** No, we're out of time. If there's a quick answer from the deputy, otherwise we'll have to—

**Mr. Paul Miller:** Bonuses, yes or no?

**Ms. Virginia West:** No bonuses with respect to specifically LTIs or reduction in—

**Mr. Paul Miller:** What are the bonuses for?

**Ms. Virginia West:** Performance—

**Mr. Paul Miller:** Performance bonus.

**The Chair (Mr. Tim Hudak):** Mr. Miller, let the deputy respond, please.

**Ms. Virginia West:** With the Ontario public service, there's a very set program under performance planning, in which the secretary of cabinet, through cabinet approval, is able to award members of the senior management group with performance pay. It's based upon adherence or response and success against performance criteria put out each year, none of which would have been as specific as incentive—

**The Chair (Mr. Tim Hudak):** Thank you. I've got to end that segment. We've gone over. Mr. Miller did have a detailed question. There were a number of parts to the question. Let's make sure, through research, that we did get all of the items of your question.

**Mr. Paul Miller:** Mr. Chair, my last comment, I'd like a breakdown of bonuses and who they went to and what they're for.

**The Chair (Mr. Tim Hudak):** Sorry, no. Our time is up. You did ask a detailed question, and we'll make sure, between the deputy and research, that all aspects of your question are noted through Hansard.

We'll go to the government members. Just as a reminder—Mr. Rinaldi did bring this up earlier on about the vote. It will be a 10-minute bell when the bell rings. Whatever question is on the floor, we'll end that question and then the committee will adjourn for the day when the bell begins to ring for the vote, and members will have plenty of time to vote in the Legislature.

Government members, you have 20 minutes. Mr. Delaney.



**Mr. Lou Rinaldi:** Mr. Chair, just to clarify, when we go to vote, do we come back afterwards?

**The Chair (Mr. Tim Hudak):** No. Sorry. Thanks for making sure I was clear. We won't come back. I think by the time we get back, we'll only have five minutes.

**Mr. Bob Delaney:** My questions for the minister and the staff have to do, I guess, less with something that's quantifiable; it's more of a qualitative question and a direction in which you may be going. Much of the work that the ministry engages in with its clients and those it inspects and regulates has to do with such things as inspections, complaints, compliance, claims and whatnot. In the course of doing that, a lot of the processes are quasi-judicial. In other spheres, whether it be in the body of common law itself or in other quasi-judicial bodies and processes, one of the directions that we've seen in recent years is to move towards more mediation and less of a process that's an adversarial process. I know in some of my own experience, going back over the last however many years in observing this from both sides, many times a quasi-judicial process in addition to being adversarial can also be, for both parties, very stressful. It certainly is time-consuming. The confrontational aspect sometimes prevents useful information from being put on the table, where both parties may benefit from it. It's costly if you have to come in and you're represented by legal counsel; you may get all ready and come in and then someone will make a motion or do something based on the rules of procedure of that particular body and there you are all ready to go but then nothing happens that day and you've got to get everybody together and then go back another day and so on and so forth.

I would like to open up this round by asking you an open-ended question. Whether it be the minister, the staff, or a combination of you, could you tell me what line of thinking the ministry has followed in the last little while and what general direction you are headed toward using means of alternate dispute resolution?

1710

**Hon. Peter Fonseca:** I thank the member for the question. We have a really good track record. We now have the best labour relations that we have had in the last 30 years. Last year, I believe 97% of all negotiations resulted in settlements with no work stoppages, with no strikes. Much of that was due, in part, to the Ministry of Labour assisting with our mediators. We have, as I have learned to know, some of the best in the country, and they are called upon often to come in, make sure that they can work with all parties, bring them to the table, resolve any issues that need to be resolved, and set a collective agreement. I think that bodes well for everybody in Ontario, for our economy, to make sure that we keep business going, make sure that we have the services we all hold near and dear, be it in education, in public service, health care, making sure that our public transit continues to move. It is something that I know the ministry—it was one of the first things they talked to me about—holds in very high esteem, the level of excellence and competence that our 30, I believe it is—Susanna? Yes?

Susanna is going to speak a little bit to this just to give the members some more information. It is very satisfying to know that we have such hard-working people. I say this about our mediators, but I also say this about the entire ministry staff. I was talking to some staff today; they have to work, a lot of times, at odd hours, different hours. They work through the night. You hear about negotiations taking place over a whole 24-hour period where there may not be any sleep and people are running on caffeine. They are able to make sure that they keep those lines of communication open, keep people at the table, make everybody understand how important it is to keep talking and to make sure that a collective agreement gets done.

I'm going to allow Susanna to share her words of wisdom with the member.

**Ms. Susanna Zagar:** And sleepless nights.

Dispute resolution services is a program in the Ministry of Labour that reports through my division. If I understood the member's question correctly, he was asking not about the Labour Relations Act mediation and conciliation services, but rather about services that we offer beyond those in relation to a current collective agreement dispute. Is that correct? Okay.

There are a number of programs that are offered at the Ministry of Labour outside of the Labour Relations Act. In addition to providing traditional conciliation and mediation, in 2002 the Ministry of Labour began providing and delivering programs aimed at helping unions and employers to deliver their collective bargaining and dispute resolution skills, and to build more productive and stable labour relations in the province. The program that we have is named Interactive Solutions, and it offers unionized workplaces training and workshops in the following key areas: establishing effective union-management committees; interest-based bargaining; improving union-management interactions; dispute resolution; and repairing, restoring and improving union-management relationships. Mediators in my program, in the dispute resolution services section at the Ministry of Labour, have been trained in Interactive Solutions. Some of you may know some of these programs as Getting to Yes or the Harvard model of dispute resolution.

Interactive Solutions in the Ministry of Labour operates on a cost-recovery basis; that is, the parties come to us looking for services—we require that it is both management and union agreeing to come to us and requesting the services—and in most cases the union and management split the complete cost of those services that we bill to them.

In terms of our actual Interactive Solutions programs, there are six programs.

Effective labour-management committees: This program is for unions and employers interested in establishing labour-management committees or in enhancing the effectiveness of existing committees. Our mediators work with the participants to identify the essential features and processes of an effective labour-management committee so that they have the structure in place once we leave that they can use to resolve minor and

major issues that arise either in the context of collective bargaining or outside of that, as you would have in any workplace.

We have a relationship-building program, and this program is for unions and employers interested in repairing, restoring or improving relationships. In that context, you may have had a protracted strike or a labour disruption of some sort. You may have had other issues in the workplace: downsizing, those sorts of things. We would come in there and try to improve the situation for the parties. Mediators facilitate an intensive examination and analysis of the labour-management relationship. Participants jointly identify and analyze the problems hampering the relationships. They explore options, create solutions and establish their own action plan. They work together to develop plans and action strategies that they've come to agree to together, as opposed to management imposing a system, organized labour imposing a system, or the mediator or the province in any way imposing a system. It's completely derived from the work that the parties do at the table. They're able to do that because our mediators are trained facilitators and help the participants work through the problems they have.

We also deliver interest-based bargaining. This again is a program for unions and employers interested in exploring alternatives to the positional bargaining, where one side is saying, "I want this" and the other side is saying, "There's no way you're getting that." This really is a way of peeling back what the core interests are and working towards getting a solution that neither may have come to on their own, had they not gone through the process itself.

**Joint union-management training:** This is a program for unions and employers interested in improving the interaction between union stewards and front-line supervisors. We're finding this to be a very effective program. In a lot of situations, employers, front-line supervisors and union stewards find themselves new in jobs, just like we have a minister new in his job. You learn from the people you're working with, and you also need the supports, structures and services offered by others to give you insight that you might not have as you come into your new position. We find that quite an effective program.

Finally, we deliver customized dispute resolution workshops. These programs are customized specifically for the needs of local, provincial or even national employers and unions. Components may include conflict resolution, communicating for understanding, consensus-based decision-making and other innovative approaches.

Since the six programs were brought to the province, we've delivered a number of those. We just delivered seven programs in 2005-06; 21 programs were delivered in 2006-07; and a full 12 programs were delivered last year, 2007-08. This year, we're also looking at expanding that, and we've had interest from other jurisdictions across the country and into the United States because the programs are seen as so innovative. Because the Ministry of Labour mediators are seen as being

neutral—many jurisdictions don't have neutral mediators, so they become employer-side or union-side mediators. Because our mediators are salaried employees of the Ministry of Labour, they're neutral; they don't have an interest, *per se*, in the outcome. They would like to get a deal, they're going to do everything they can to get a deal in a collective bargaining context, but it's those same skills they're using in the delivery of these fee-for-service programs. We find them very effective, and we're actually helping other jurisdictions implement their own similar services.

**Mr. Bob Delaney:** Thank you. That's actually more extensive than I thought you were doing. Could you comment for a few minutes on some of the differences that you've experienced and that people have related to you in this type of alternate dispute resolution versus a more traditional adversarial approach? For example, to what degree the participants have expressed the feeling that the outcome has been qualitatively different, either better or worse; whatever you may know about the difference in the time required to arrive at the agreed-upon settlement; what the general reaction of the participants has been in cases where you've used your alternate dispute resolution.

**Ms. Susanna Zagar:** When we use alternative dispute resolution, as I mentioned, it's by the agreement of both sides. So you'd come to it with people on the employer and labour side who are open to new ways and different ways of doing business. So that is a fundamental difference to start with, right away.

Often, you'll have one side or the other not wanting to use this new approach, in terms of the training and the skill set that's required to do it. They're much more comfortable, many parties, with traditional bargaining and the way that people have done it for hundreds of years. So this is something that really does take a new way of looking at things.

1720

Our experience is that while the process may seem more intense upfront—because there are a number of layers to the training, and you really do have to get into a room and be prepared to set aside the preconceptions or apprehensions you may have of the people who are sitting across the table from you, or who have been sitting across the table from you for years. We find that the parties do that. They invest the time and effort upfront. Once they have that basis and that relationship of trust in a collective bargaining process, in terms of the expiry of a collective agreement and the need to get to a new collective agreement—having been through this process before you get to the point of a strike or a lockout actually prepares you more effectively to come to a collective agreement. Of course, every situation is different. Every round of bargaining, every set of issues, is completely different. But we do find, on the whole, that we have what we call repeat customers, people we've dealt with on the employer or labour side—they leave the positions they're in; they end up in other industries, other sectors, with other employers; they might



be working for a different bargaining agent—who come back to us and ask to use us again. So we see the return visits from them, and because the program is growing, we also would deem it to be a success. People wouldn't come and pay us money for something they didn't think was useful and helpful to them. They'd go elsewhere, to the private sector or other resources, or they just wouldn't use the service at all.

**Mr. Bob Delaney:** Other than in contract negotiations, have you been able to use this particular set of skills and expertise in areas such as compliance or other issues within the ministry?

**Ms. Susanna Zagar:** We have been using the services in a variety of ways. One of the things that we did, as a result of the SARS commission, was to set up a section 21 committee under the Occupational Health and Safety Act. A section 21 committee is an employer-labour committee that works through issues specific to the sector. We've never had a section 21 committee in the health care sector. We previously had them in other sectors—police, fire, and mining sectors, for example—but we've never had them in what people might deem a soft sector, although if anybody has done health care bargaining, you would know it's not that soft. We have never really used it in that setting. So we set up a section 21 committee as a result of some of the SARS recommendations. We decided that the Ministry of Labour would deliver the alternative dispute resolution services, the Interactive Solutions program, to the parties at the beginning of their process, as they formed the section 21 committee. We used our chief mediator, Reg Pearson. Reg personally went in and delivered that section. He'd had good experience working previously with ONA and the Ontario Hospital Association, bargaining agents, employers, who were represented at the section 21 committee. Reg delivered our full program to the section 21 committee. We think it really set the foundation for a relationship as they've gone forward, over the past 15 months, to work out these difficult issues which arose in the SARS inquiry report, but also which arise day to day in terms of the evolving nature of the health care system in Ontario.

**Mr. Bob Delaney:** As people get good at it, how do you cross-pollinate your skills and expertise among your people at the ministry? What you said earlier is consistent with what I've heard in the field: that many of the things you're doing are being done, really, nowhere else. So, in many respects, a lot of the things your people are learning place them at the cutting edge of using these particular skills and this expertise to resolve various issues. How do you cross-pollinate all of those skills?

**Ms. Susanna Zagar:** Not many jurisdictions do what Ontario does in terms of having neutral salaried in-house mediators. Many jurisdictions have moved away from that, and they now use a roster of external mediators, private sector mediators, who are called upon by the parties. Alberta uses that model, for example. They no longer have in-house mediation or conciliation services.

In Ontario, we take the position that we need in-house salaried neutral people because of the complexity of the

issues and the volume of collective agreements we face on other issues. Succession planning is a big issue, as many of our mediators reach that age when they may not want to be up all night, every night, and sleeping through the days, and having to be up again in the middle of the night and missing significant events in their lives and the lives of their families. It's a very hard profession, and if you've seen any of our mediators, and the minister will meet more of them shortly, it's telling. It's very telling in terms of the sort of lifestyles they have. They're on the road constantly. They've always got a bag packed. They're ready to go.

We've become very concerned about succession planning. In 2006, I started to look at the demographics in Ontario as I realized that my key mediators would soon be leaving and that I was going to be around for a while after that, and how I was going to actually deliver the program that I'm mandated to deliver without them. It occurred to me, as I looked at the data from Ontario and I started to look at other data outside of Ontario, where there were private sector and public sector mediators, that the entire country was facing the same issue.

We struck a national task force to actually look at the demographics, the skill sets, who's in the jobs right now and what sort of training did they have. Many of them were trained because they grew up in either the employer-side or labour-side movement, worked their way up to the position of being mediator and into a ministry position where they were neutral after having been there for 15 or 20 years. But we didn't really find that they had come with a certificate that said, "I've got a law degree," or "I've got a certificate in mediation." There was no program like that.

We developed a program based on the information we had and the work that we did. We struck external advisory committees, so we used academics, employer reps, labour reps and experts from across the country and across North America to advise us on the program. In the Ontario Ministry of Labour, we took a lead in creating a national mediator training program, which we run once annually. This year was the second year we ran the program. We invite players from across the country to participate in that. Again, it was on a cost-recovery basis, so Ontario is not giving services for free. We're developing and delivering services that are helping all jurisdictions in Canada develop core mediation programs.

**Mr. Bob Delaney:** I'm sure parents say that grey hair is hereditary, and you get it from your children, although in this case it can probably be said that you get it from your clients. I want to thank you very much for your answer. I found your description to be very, very enlightening.

**Ms. Susanna Zagar:** Thank you.

**The Chair (Mr. Tim Hudak):** Mr. Delaney, thank you very much. The official opposition will have 20 minutes.

Just a reminder, too, to make sure I was clear: When the bells ring, we'll finish the questions on the floor, then

I will adjourn the committee, and we will resume on our regular scheduled meeting on Tuesday. We will have a full meeting Tuesday morning, and it looks like we'll have a partial meeting Tuesday afternoon.

Mr. Hillier, 20 minutes.

**Mr. Randy Hillier:** Thank you. As I was going through some of the statistics for the Ministry of Labour, there's one that was very striking, and I'd like to have the minister's comments on this. Of course, it's much ballyhooed, reducing the number of workplace injuries, and that's to be commended. But at the same time, as injuries have fallen, fatalities have not. Surely it would come to anybody's mind that this is counterintuitive. If the workplace is becoming safer, we ought to also have fewer fatalities. I'd like the minister just to say how you reconcile this contradiction.

**Hon. Peter Fonseca:** First off, I'd like to say to the member that one of the most difficult things about this new role was—and I think I spoke a little about it yesterday—getting e-mails, and I do get e-mails, when a fatality happens in the province. I understand there are about 100 that happen a year. I can imagine how tragic that is for the individual's family, for the community, what it means when you lose a loved one. It's something that I did look through, the statistics. It's very important. The last couple were young men in construction.

I believe that we are moving forward with our programs in schools. I think that's very important, to make sure that our young people, our youth, are well-educated, especially when they get into some of those high-risk workplaces on their first jobs and don't have the experience.

I also know that those workers are most vulnerable in the first month, so that's why it's very important for us to work with our employers and that they have the educational component in the workplace or shadowing programs or some of the other best practices; I know some employers use different colour-coded systems—whatever it is—so that all employees are well aware of the dangers.

1730

I walked in to what could be seen as a very dangerous workplace when I was up at the Bruce Power nuclear plant just a few weeks ago, and they've gone 12 million hours without a workplace injury, let alone a fatality. So it's something where we've taken these steps—I think one of the steps is around education, and that's most important. Of course, we have our inspectors out with enforcement, but it is something I also saw in the statistics, and I would like to see those come down. I thought there were about 100 or so a year, and it's been there for a couple of years. I'm going to ask Sophie to share some further information in regard to those fatalities.

**Mr. Randy Hillier:** I'm just wondering if the ministry has looked at those and if you've reconciled and said, "What is going on here, that our fatalities are continuing to increase while our reported injuries are on the decline?"

**Ms. Sophie Dennis:** Absolutely. In 2003, we had 122 fatalities in Ontario; in 2007, we had 100. Even one is unacceptable to us. Our Safe at Work strategy is addressing that by looking at hazards that are causing workplace injuries and fatalities.

You're from the construction sector. The leading cause of injuries and fatalities in the construction sector is falls. So we have blitzes in the construction sector to deal with falls and to look at workplaces that have a high potential in terms of fall injuries and fall fatalities. We are targeting those hazards that cause injury and kill workers. That is the foundation of our Safe at Work strategy.

Our officers will be out there talking to those workplaces. But more importantly, we're also communicating with our employers and workers through our website, saying, "We are having blitzes. We're focusing on these things. Get ready. We're coming. We're there to help, when we are there. We're there to educate you, to tell you where you can go and get help," in the hope that the message will get out to all the workers on that site, all the employers out there, to address those hazards that are killing workers.

**Mr. Randy Hillier:** In all my conversations with my constituents and with many employers, contractors, manufacturers—different areas—one thing that has become clearly evident is that it doesn't pay to be honest, when it comes to the Ministry of Labour, in reporting workplace injuries. One of the reasons that has been suggested to me, and documented very well by a number of people, is that if there is an injury, employers don't report it. They pay the employee to go home and take some time off, but do everything possible not to report it to the Ministry of Labour, because the costs afterward will put them out of work.

I had one example just today: A contractor up my way who used to have 28 employees is now down to 14 and facing over \$130,000 in fees, penalties and whatnot by the Ministry of Labour. He will be closed up very shortly, and even the 14 employees will no longer have jobs.

We want to encourage honesty from the people who are dealing with the Ministry of Labour and not just have a punitive approach in order to have an effective outcome. Education is an important thing. Education with a hammer hurts; education with a book is far more palatable and enjoyable.

**Hon. Peter Fonseca:** I'd like to respond to the member. First off, I'd like to just say that we believe the vast majority of companies are out there to do a good job, promote health and safety in workplaces and have a fair workplace, and we continue to work with them. We want to make sure that we do get rid of those bad actors. We don't want those bad actors in place. The member has brought up a particular case. I'd ask that he provide the documentation for that case to the Ministry of Labour. If he would like to bring that forward, that would be terrific.

**Mr. Randy Hillier:** Absolutely.



**Hon. Peter Fonseca:** As I said to the member, I believe we have excellent companies out there. We actually are working so that we can even the playing field for everybody and get rid of those bad actors. We were just talking about fatalities. We don't want to see another fatality; one is too many. The member was talking about fatalities. Then he talked about a business that's being fined. Well, is it one or the other? Does the member condone weakening our safety standards? What is the member asking for?

**Mr. Randy Hillier:** They are not exclusive here. It's not the case where we have employers and must have fatalities. We can have safe workplaces, but we need to

have workplaces. We will have total safety when none of us is working, and we don't want to get to that position.

I guess the bells are ringing.

**The Chair (Mr. Tim Hudak):** Yes. Did you want to place the last question or did you want to defer your time?

**Mr. Randy Hillier:** We'll defer the time.

**The Chair (Mr. Tim Hudak):** Okay, folks, we will meet again on Tuesday morning at 9 a.m. The remaining time of the official opposition will be next Tuesday, and you will begin the session. The committee is now adjourned.

*The committee adjourned at 1734.*







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#### Also taking part / Autres participants et participantes

Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton-Est–Stoney Creek ND)

#### Clerk / Greffière

Ms. Sylwia Przewdziecki

#### Staff / Personnel

Ms. Elaine Campbell, research officer,  
Research and Information Services



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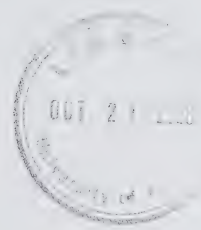
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# Official Report of Debates (Hansard)

Tuesday 7 October 2008

# Journal des débats (Hansard)

Mardi 7 octobre 2008



**Standing Committee on  
Estimates**

Ministry of Labour

**Comité permanent des  
budgets des dépenses**

Ministère du Travail

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Clerk: Sylwia Przedziecki

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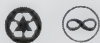
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 7 October 2008

Mardi 7 octobre 2008

*The committee met at 1558 in room 151.*

## MINISTRY OF LABOUR

**The Vice-Chair (Mr. Garfield Dunlop):** Good afternoon, everyone. Minister Fonseca, it's good to see you here today.

**Hon. Peter Fonseca:** Thank you, Chair.

**The Vice-Chair (Mr. Garfield Dunlop):** I want to congratulate you on your appointment as Minister of Labour. I know you've been tossed into this job very quickly, so I hope it's working out well for you.

Ladies and gentlemen, we're here today to resume consideration of the estimates of the Ministry of Labour, vote 1601. There are a total of two hours and 53 minutes remaining. When the committee was adjourned, the official opposition had 12 minutes remaining in its 20-minute rotation. I just want to point out that, as Chair, I will be leaving for about 40 minutes or so in a couple of minutes and Mr. Delaney has agreed to sit in and chair for me until I get back. I'm actually debating Bill 50 for a while, as I mentioned to a couple of people.

I want to welcome everyone from the Ministry of Labour and all the staff people.

With that, Mr. Delaney, if you could take the chair. The official opposition has 12 minutes. Thank you very much.

**The Acting Chair (Mr. Bob Delaney):** Mr. Hillier, you have 12 minutes.

**Mr. Randy Hillier:** Thank you very much. It's great to be back in estimates today. I want to continue on with a few questions where we left off last week. One of them is on page 63 of your briefing book that we received. It shows the number of visits and the number of orders issued by your health and safety enforcement officers, and I have a question. It says the average in 2007-08 was 1.74 orders per visit out of a total of nearly 100,000 visits. I'm wondering, Minister, if you can tell me how many of those visits ended up with no orders issued?

**Hon. Peter Fonseca:** Thank you very much for that question, Mr. Hillier. I know that Sophie Dennis is going to be able to get you some of that information, but I do want to respond to one of the questions, or I may answer a number of them that you had asked in our last session.

You asked for information on fines issued under the Provincial Offences Act as part of our enforcement of the Occupational Health and Safety Act and the Employment

Standards Act, 2000. Under part I, which you had asked the last time with OHSA, fines referred to both summonses and contested tickets in 2007-08 and \$257,635 was collected under part I of OHSA and the maximum fine for part I is \$500.

Under part II, which I know you also wanted to have some information on—sorry. Part III of OHSA, the maximum fine for a corporation is \$500,000 per charge and \$25,000 per charge for an individual and/or imprisonment for a term of up to 12 months. What was collected was \$11,726,900 under part III of OHSA in 2007-08.

Under part I in the Employment Standards Act, prosecutions carry a set fine of \$295 plus applicable costs and victim fine surcharges and under the Employment Standards Act, six thousand six hundred and sixty-five was collected in 2007-08 in part I fines. That's just to give you an update into some of what you asked.

Under part III of the Employment Standards Act—I think this was also something you wanted some information on—an individual is subject to a maximum fine of \$50,000 and/or imprisonment for a term of up to 12 months upon conviction of an offence. Also under part III of the Employment Standards Act, a corporation is subject to a maximum fine of \$100,000 for a first offence, \$250,000 for a second offence and \$500,000 for a third or more offences. What was collected under the part III fines was \$115,500.

Part II refers to some parking infractions and does not apply to the Ministry of Labour.

I'm going to now allow Sophie to also give you some further information and more clarification, if you'd like, on this section—

**Mr. Randy Hillier:** I think that's plenty of clarification; thank you very much.

**Hon. Peter Fonseca:** Sophie can also give you some clarification on your question that you just posed.

**Ms. Sophie Dennis:** With respect to how many field visits would have no orders, I'm going to have to get that information for you. I don't have that readily available.

**Mr. Randy Hillier:** Thank you. Okay.

Last week we were also talking about costing and tracking lost-time productivity, downtime, due to visits. At that time, you told us that the ministry is not tracking those elements—how much productivity and how much downtime there is due to all, whether it's occupational health and safety or employment standards or job

protections. I would hope, Minister, that you look at that next year, and your ministry looks at it upcoming so that we can start having a greater understanding of just the total cost of compliance with labour legislation.

I want to—

**Hon. Peter Fonseca:** I can address that for the member. I can speak to that a little bit. First off, the inspectors: Their primary job is to make sure that businesses are compliant, that the Occupational Health and Safety Act's standards are upheld, as well as the Employment Standards Act. That's what we want from our inspectors. But they do go in, in a balanced approach, to work with businesses. I'm sure if the member saw a glaring problem that could cause a serious accident or a tragic fatality, that the member would not want our ministry, this government, to take a watered-down approach to that and allow for that to continue. He would want to make sure that—

**Mr. Randy Hillier:** I think we discussed that last week.

**Hon. Peter Fonseca:** We did. What I want to—

**Mr. Randy Hillier:** There's no sense in rehashing it. I've got 20 minutes—

**Hon. Peter Fonseca:** I did look into the fatalities. Each fatality costs a business an estimated—now, if you want to put it in dollar terms—

**Mr. Randy Hillier:** We've already seen those figures and there's no sense rehashing it.

What I asked for, and what I'd ask the Ministry of Labour to consider, is giving the people of this province a full understanding of the cost of the labour legislation that you enforce, and that would include the cost of lost productivity and downtime. I think it's a reasonable approach, and I'd like you to consider that for next year.

**Hon. Peter Fonseca:** That's what I want to address to the member. I want to address the member on that point that the member brings up, because we did look into that.

I would hope that the member first thinks about the human tragedy and the emotional pain that it will bring—the fatality—to that family.

**Mr. Randy Hillier:** Minister, I've been on a job site where there was a man killed because of electricity, so I'd like to go on to the next question. I've heard enough of the answer.

**Hon. Peter Fonseca:** I would say to the member we did cost it out. There is a cost to it: Each fatality costs a business an estimated \$98,000, and that's from 2006, according to the WSIB.

**Mr. Randy Hillier:** This is ragging the puck, and I want to move on to the next question.

**The Chair (Mr. Bob Delaney):** It is the member's privilege not to listen to the answer, however carefully prepared.

**Mr. Randy Hillier:** The reason why I'm not listening is because it wasn't addressing my question. We'll move on to the next one. I want to move on to the card-based certification aspect. That's under your labour relations board. I'll just get the file on that one. Of course, looking at the wording in your briefing book, using words like "encourages effective bargaining" and "promotes settle-

ments" and the like: I've had a number of people in my area—I'll refer to one contractor who was certified under the card-based certification program. It happened when most of his employees were on holidays, when he himself was on holidays. When he got back three or four days later, his company was certified. It ended up costing him, and his employees, \$135,000 to decertify, because that was the wish of the employees. It also ended up costing him three quarters of a million dollars in lost revenues, and his shop went from nine employees down to four. He still hasn't fully recovered. He has provided me with a significant amount of information, but I want to first ask the minister—we see the cost of this labour relations grievance board and the significant length of time for people. Actually, under the card-based certification, people cannot challenge the certification until the next bargaining round, which, in the construction trade, is three years. It doesn't sound like it's promoting settlements and encouraging effective bargaining when few people can certify a contractor and—

**The Acting Chair (Mr. Bob Delaney):** I'll just advise you that you have about two minutes.

1610

**Mr. Randy Hillier:** Clearly, what I'm getting at with this is an effective mechanism within the labour relations board to deal with these complaints in a much more timely fashion than three years. Another firm that I had—it actually cost them half a million dollars to go through the system. In my next rotation, I guess I'll get to some more details on this. Is the ministry looking in your estimates at improving that timeliness function of challenges or contractor grievances on the card-based certification?

**Hon. Peter Fonseca:** First, I'd just like to say to the member that this government is very proud of the track record that we have when it comes to labour relations. We work with labour: employees, employers.

We did bring forward Bill 144, and it was a bill that helped in terms of restoring the principles of balance and fairness in the workplace. I'll give you some of the things that came out of that piece of legislation. It would restore powers to the Ontario Labour Relations Board, to let it effectively handle situations where an employer or a union violates labour law during an organizing campaign. For example, the OLRB now is able to order the interim reinstatement of employees fired during an organizing drive. On the other hand, this power is balanced by OLRB's authority to remedially dismiss a certification application in cases of union misconduct.

What we've brought to labour relations, as I said, is this balance, this fairness. It has worked. Over 90% of collective agreements are done without a work stoppage or strike. We feel that we've brought this peace and stability to labour relations, and we've restored a balance that wasn't there under the member's government.

**The Acting Chair (Mr. Bob Delaney):** Mr. Miller, you have 20 minutes.

**Mr. Paul Miller:** Welcome, Minister, and your staff. Once again, you're into the valley of death here, and I'll be happy to assist you in—



**Hon. Peter Fonseca:** You must be getting ready for Halloween.

**Mr. Paul Miller:** That's right.

I'm a little disappointed. I received a memorandum today from your ministry, Minister, in reference to my question on incentives and bonuses, reduced lost-time injuries and statistics, and what they've done is actually repeated my questions to me, and they said that if I want any further information, I should call the ministry directly. I'm a little concerned about why they don't want to discuss that openly and why I've been passed on to the ministry contact person. Maybe in a quick response you can tell me when I will get this information, because I didn't get it today.

**Hon. Peter Fonseca:** Our CA, who was not here, is going to help you with some details on that. Len Marino, can you oblige the member?

**Mr. Len Marino:** Sorry, I wasn't here last week, but my understanding from the transcripts is that you were looking for specific information as to whether or not incentive programs were aligned with the reduction in the lost-time injury rates.

**Mr. Paul Miller:** I can repeat the questions for you, and maybe it will bring you up to speed:

(1) Do officials at the ministry and the WSIB receive bonuses when statistics are reduced?

(2) What ministry positions are eligible, and how much could each receive?

(3) What WSIB positions are eligible, and how much could each person receive at a lower level?

(4) How much did the ministry and the WSIB pay out in total bonuses last year?

So, basically, where does it end at the bureaucratic level as far as bonuses go? Does it come from the directors? How far does it go down? How many bonuses were paid last year? I asked that last week, and I was hoping for a better response other than giving me a contact person to call.

There's no need to bandy this back and forth. Either I will get the information down the road or I won't. A simple answer would suffice.

**Mr. Len Marino:** I think I can say that, with respect to the bonuses being issued when lost-time injury rates are reduced, the answer is no. They're not specifically linked to that. The Ontario government as well as the WSIB, as far as I know, does have an incentive program for its senior executives and managers, as many employers do. It's not a new program; it's been in existence for some time.

**Mr. Paul Miller:** What's it based on?

**Mr. Len Marino:** It's simply based on performance commitments that are made at the beginning of the year and individual—

**Mr. Paul Miller:** Performance in regard to what?

**Mr. Len Marino:** In regard to the ministry's or the organization's overall objectives.

**Mr. Paul Miller:** Which is to help injured workers, people who have been injured. Why would you be getting bonuses for performance levels on something that

is a function for the public of Ontario? I don't understand that.

**Mr. Len Marino:** The performance—

**Mr. Paul Miller:** This isn't a corporation, this isn't a private company; this is taxpayers' money. This is government money.

**Mr. Len Marino:** The incentive programs were approved back in I think the 1990s as part of the overall compensation package. What I can get for you—I cannot give you the individual names of people and what their incentive awards were. That would be protected under freedom-of-information protection.

**Mr. Paul Miller:** Can I get it under freedom of information?

**Mr. Len Marino:** No, I don't believe you can.

**Mr. Paul Miller:** So as a sitting MPP, I'm not privy to getting information about bonuses paid out—taxpayers' money—to members of the WSIB.

**Mr. Len Marino:** You can get some information. I could give you for the ministry, for instance, the total amount that was paid out in 2007-08 for incentives. I could tell you how many employees that relates to.

**Mr. Paul Miller:** That would be a start.

**Mr. Len Marino:** I cannot give you the actual names because that would be protected under the—

**Mr. Paul Miller:** Privacy act?

**Mr. Len Marino:** —privacy act because it's personal information.

**Mr. Paul Miller:** That would be a good start. If you could get that information to me, I'd really appreciate it.

Moving on: I tabled a lot of questions in my last appearance here, and that was the only one they responded to. I guess that one hit home. But the rest of them, I got no response on, and I hope I'm going to. I see that Mr. Hillier did get some response to his concerns; I got absolutely none. So I hope that changes. I'll move on to my first question.

I'm moving on to violence in the workplace, Minister. Inquests into the deaths of Lori Dupont, Teresa Vince, as well as the Hadley inquiry have all called for your ministry to make amendments to several acts under your ministry's authority, including the Occupational Health and Safety Act, the Employment Standards Act, and the Workplace Safety and Insurance Act. These recommendations are intended to protect workers. It is intended to protect them from harassment and violence in the workplace, and to protect the jobs of workers when they are forced to take time from work when they are even being stalked at work. It is also intended to recognize that workplace harassment and the threat of violence in the workplace can create a workplace just as toxic as any filled with dangerous dust or chemicals, and can lead to work-related illnesses.

Six years ago, in 2002, the Hadley inquiry recommendation number 48 recommended that "all employee-related legislation, including the Employment Standards Act, the Human Rights Code, the Occupational Health and Safety Act and the Workplace Safety and Insurance Act, be reviewed and amended to ensure that:

“—violence is defined to include harassment, stalking and threats of violence;

“—women experiencing violence in an intimate or personal relationship may take a leave of absence sufficient to address the violence in the relationship and establish themselves and their children in a safe place without fear of losing their employment or fear of experiencing some other employment-related reprisal.”

More recently, the inquest into the workplace death of Lori Dupont recommended workplaces prepare policies and practices to protect workers when domestic violence is brought into the workplace as a result of intimate partner violence. The recommendations call for education and training around violence in the workplace and domestic violence brought into the workplace.

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Will you, as minister, support amending the Employment Standards Act to protect workers who otherwise may lose their jobs as a result of innocent absenteeism? Will you amend the workers' compensation legislation to ensure that workers who are made ill from the stress of harassment and violence are compensated when they lose time from work as a result of illness? Will you amend the Occupational Health and Safety Act to ensure that employers are required to provide protection for workers, and require the introduction of measures and procedures to deal with all forms and sources of harassment and violence in the workplace?

Finally, the coroner's jury for the Lori Dupont inquest also made a number of recommendations to the Legislature of Ontario. Will you, as a member of the Legislature, support and take action on the recommendations made by the coroner's jury to the Legislature of Ontario?

**Hon. Peter Fonseca:** I thank the member for this very important question which, as the member knows, many MPPs and others have spoken to.

The Lori Dupont case and others sadden all of us. It's something that we, as a government, take very seriously; we do not tolerate violence in the workplace. That is why, prior to my becoming Minister of Labour—just days before, actually—my predecessor, Brad Duguid, launched a consultation, on September 17, I believe, and that is ongoing at this time. It will be concluding on October 17. That consultation is to make sure we do this right, that we get all the recommendations on how we can best address violence in the workplace. What I can say to the member—I did say this in our last session—is that it would be unfair to all our stakeholders for me to make policy here on the fly, which I'm sure the member is not asking and hope he's not asking for. That's something I would not do and that I hope the member wouldn't ask for. The member can, of course, make a submission to this consultation.

Under the Occupational and Safety Act, all employers at this time are required to take every reasonable precaution to protect the health and safety of their workers in the workplace. We know there is still work that needs to be done on this, and that's why we've embarked on this consultation. This includes protecting workers

against the risk of workplace violence. What we do say for anybody in a situation like Lori Dupont's is that the police are the lead and should be contacted right away. Workers who feel their physical safety is at risk should contact the police immediately.

**The Acting Chair (Mr. Bob Delaney):** While the Chair has the mike, let me remind both the questioner and the minister and his staff that if you request any information or enter into an undertaking to provide it, please provide it through the clerk, so that it can be distributed to the entire committee.

**Mr. Paul Miller:** I appreciate your answer, Minister, but as I spoke in the last few days, I talked about item 50. That is where you, as a ministry, go after individuals who are harassing or putting people in unsafe positions. It's my understanding that item 50, which fines companies, has never been enforced over the years—you were rhyming off a lot of fines to companies, not under section 50. That covers harassment in the workplace and also covers liability and health and safety. Not once since that has been enacted has it been enforced. I want to know why. I have cited examples of intimidation, which I was more than happy to share with you.

I'll give you a personal one. I, as an industrial mechanic welder fitter at the Steel Co. of Canada, dared, as a health and safety rep, to do a work refusal: It was coke over battery, and this heavy machinery was moving up and down, with not enough safety men, to push the coke out of the ovens. I was very concerned about people's safety, and the operator could have had a heart attack, or several. So I called a work stoppage.

The ministry inspectors were on strike at the time, and I had to do it over the phone. The company called me in. They threatened me with dismissal; they threatened me with intimidation; they threatened me with several reprisals if I did not back off my request for the ministry to come in. I didn't back off. I stuck to my guns and my concern. They addressed it at the point where I got a reasonable answer from the ministry. They told the company to do it. I took harassment for weeks after that, the subtle harassment: rotten jobs, dirty jobs, unsafe jobs that I was forced into. Then, the very concern that I had about what's called a pusher car, which pushes the coke into the cars on the other side of the furnaces—the operator fell asleep on night shift. A 50-tonne car went off the tracks, smashed into the other car, which was parked in the battery; tore out four batteries on that job. It cost hundreds of thousands—I don't know how much it cost. I didn't hear anything back about it; I didn't hear about any reprisals; I didn't get any feedback on my concerns. All I got from the company was, “We're taking care of it.”

So my concern is the lack of communication between your ministry, the Ministry of Labour, the WSIB, and all the other categories that fall within your jurisdiction. Not only do they not enforce it against employers; there are a lot of unanswered grey areas with deep concerns. I could cite probably 200 minimum—from my union—more incidents in that plant, which have included fatalities,



which this labour board and the WSIB are not enforcing. They go in there, they do a patchwork job, they tell the company to—maybe a suggestion; not a heck of a lot of fines under section 50; in fact, zero in 34 years in that plant. I don't know how long that section 50 has been in place; I haven't looked that up. All I can say is, the jobs are not being done; the inspectors don't have enough meat; they're not fining these companies for unsafe acts.

We had three guys killed up north in a mine. They fined the company, I believe it was, \$175,000 for two or three deaths. You might consider that a hefty fine. The same company, Minister, nine months later received a \$1.2-million rebate from your ministry—\$1.2 million. Now your ministry has moved slightly to say that, "In a death in a place, we will not reward that company that year." But if you reapply next year, does that address the safety concerns? Does that make that company change any of the structural things that may have caused these accidents? No, it doesn't. All it does is, "You be a good boy next year, don't report any accidents, and we'll give you a rebate." They're doing it. As I pointed out last week—which is totally unacceptable, Minister—they're giving rewards—Harley-Davidson motorcycles, fishing boats—if you don't cause trouble and report accidents. If I don't report that accident, Minister, and I'm injured on the job, and 10 years later I go back with that injury, they're going to say, "Mr. Miller, you didn't report that accident. You didn't report that incident. I'm sorry; you're not covered."

People out there don't realize what these companies are doing. It's absolutely unbelievable. And you told me last week—let me reiterate for you: "Health and safety inspectors: Full complement," boom, boom, boom. I heard that you're now 36 inspectors short of where you should be; 36 inspectors short. I found that out under freedom of information. I'm very concerned.

I don't know if you want to answer that quickly, but I will now move on to farming. The trouble in health and safety in farming will be next.

**Hon. Peter Fonseca:** How I'll address it: First, I say to the member that I can appreciate the member's personal experience. I have to say that in the short time I've been here, what I've learned about our inspectors is that they've been very proactive out in the field, as proactive as looking at—first off, I understand that they looked at cranes. I believe we have about 256 cranes.

**Mr. Paul Miller:** Are you talking mobile or overhead?

**Hon. Peter Fonseca:** I believe mobile.

**Mr. Paul Miller:** No. We have 180 cranes in our plant, Minister, just in the one plant.

**Hon. Peter Fonseca:** Okay; these must not be the same cranes. What are they called?

**Ms. Sophie Dennis:** Tower cranes.

**Hon. Peter Fonseca:** Tower cranes.

**Mr. Paul Miller:** Tower cranes; construction cranes.

**Hon. Peter Fonseca:** Two hundred fifty-six tower cranes. We did a blitz—

**Mr. Paul Miller:** Most of them are in Dubai right now. We're short on cranes.

**Hon. Peter Fonseca:** We did a blitz on those tower cranes, and there were work stoppages for over 150 of those that were faulty. We got those fixed.

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This brings me to—the member had talked about moving equipment. Some of our next blitzes will be on some of this dangerous moving equipment. That's how our—

**Mr. Paul Miller:** Will that include trains, buses, mobile cranes?

**Hon. Peter Fonseca:** I just know about moving equipment, is what I'm telling the man.

I also wanted to address—the member had brought up section 50. Yes, you had, Mr. Miller. We did do our homework and got some information for you. You may be aware that workers have a choice of how they want to handle these situations.

**Mr. Paul Miller:** Workers have a choice, Minister?

**Hon. Peter Fonseca:** They do have a choice, Mr. Miller. They can have the matter dealt with by final and binding arbitration under their collective agreement, if they have one, or they can file a complaint with the Ontario Labour Relations Board. Our health and safety inspectors visit workplaces—I think this was brought up in our last session. Sophie, did you speak to this?

**Ms. Sophie Dennis:** Yes.

**Hon. Peter Fonseca:** The inspectors visit the workplace where the reprisal has taken place to investigate any health and safety concerns related to the complaint and may issue orders for any underlying health and safety violations that may have led to the reprisal. Inspectors inform the workplace parties of their rights and duties under section 50 of the Occupational Health and Safety Act and provide an information pamphlet which is available in over 20 languages, I believe. If a worker files a reprisal complaint with the OLRB, the OLRB is required now—

**Mr. Paul Miller:** Thank you. How many times—

**Hon. Peter Fonseca:** The member had asked for information on section 50. I was going to—

**Mr. Paul Miller:** You answered me, but you're going off track. You're talking about arbitration. I don't want to talk about arbitration. Once again, you touched on section 50; I want the minister to tell me how many companies you've fined under section 50. That's what I want to know.

**Hon. Peter Fonseca:** What I can tell the member, and I'll let Sophie elaborate—I can advise the committee and everybody that in 2007-08, the OLRB received 184 complaints under section 50 of OHSA alleging wrongful dismissal or discharge or acting in compliance with the act. Of this number, 83 cases were carried over from 2006-07. Of the 184, 68 cases were settled by the parties in discussions with the labour relations officers, 26 cases were dismissed, five cases were granted, and the remaining 81 were pending as of March 31, 2008.

**Mr. Paul Miller:** So zero fined would be the answer?

**Hon. Peter Fonseca:** Sophie, can you elaborate further?

**Ms. Sophie Dennis:** In terms of prosecutions, yes.

**Mr. Paul Miller:** Thank you. I guess my time is just about up. I would close by saying that I hope these talks continue because I have a lot more. I'm hoping, Minister, that some of the crucial questions I asked last week pertaining to your ministry, to the WSIB, will be answered in due time, because they're important to the people I represent and the OFL and all the other unions that are involved in this. We would like to know when these answers are going to come to us, because I will continue the pressure until I get the answers.

**The Acting Chair (Mr. Bob Delaney):** The government side. Mr. McNeely.

**Mr. Phil McNeely:** I've heard and seen a lot of good news around the 20% reduction that we've had in losses in the workplace since, I think, 2003, 2004, with the new legislation. I've toured sites that show remarkable change from the 1980s and 1990s, where you have safety in the workplace being one of the most important considerations, and it's one that the contractors are working with. It's surprising for me to see that the workplace has changed so much since I was there in the early 1990s. We toured the radiation treatment centre under construction at the Civic Hospital, as I said in an earlier question.

I'm bringing this up again, because what we've just heard is not the record that I hear from the work the ministry is doing, what the staff is doing, what successive ministers have done, to lead us to a safer workplace in Ontario. To see the way the steel setters are operating now, where they're tied down with a safety harness—yet these contractors are not finding that that is slowing down production. It actually helps production, because everybody is working in an area where safety has been dealt with; safety is being dealt with on a continual basis. They have meetings every week. These are the sites that I've been on; these are the sites that we see. It's a dramatic change.

You said that—and I see that page 63 of 81 is the statistical data for inspections etc. Just the information I get back is that there's a lot of targeting of unsafe workplaces, because we get messages back that the ministry has fined fairly hefty fines against unsafe workplaces. I've had contractors in my own riding getting in touch with me, saying, "Look, this is costing us a fortune. This is unfair." But the good contractors—that happened the first year, I think, of the new policy where we hired, what, 200 new inspectors and trained them. I see that in the year 2004 there were less inspections because a lot of the existing staff were training the new people and getting them involved in it. The complaints from the contractors quit coming back to me in about 2006, late 2006 or 2007; they were no longer complaining. I think that means they were appreciating the fact that we weren't going to tolerate these unsafe practices anymore. So this does not seem to be the same workplace that the member before me was talking about. I see a vast difference. I see that you're doing your job out there.

You mentioned the other day about targeting the unsafe workplaces. They get a lot more inspections than those who already know what they're doing. PCL is one of the big contractors in the Ottawa area; it's a big contractor here in Toronto as well. But they tell us, when we go on the job site—and the ministry people agreed with them—that they go over and above the requirements now because they understand that safety and productivity go hand in hand and having the people on the site aware. They told me about the training that goes on to a young person coming on the site. This is extremely important. They know that that training has to be very careful. They have procedures to take them through. They're not going to put themselves or other people in danger until they're quite aware of what the safety in the workshop is.

Basically, I think the ministry is doing a great job; 20% is a huge reduction. I'd just like you to go over that again, because I think the record in the last three or four years is what we should be hearing about—the successes. I'd like to hear those.

**Hon. Peter Fonseca:** I thank the member very much for the question and for taking us through what he has seen at the community level in terms of some of the calls that you were getting early on, Mr. McNeely, and how those have somewhat dissipated. When there is change, often you may get calls; it may be a new normal for some. What has been terrific is that once we came into government in 2003 and made a commitment to hiring new inspectors, those 200 inspectors of course had to be trained up. Many of them have specialization in particular sectors. Where we built up from 230 inspectors to 430 inspectors, it built the capacity within the Ministry of Labour which was lacking.

Also, you speak to the companies that have a very good track record. They're understanding of how important health and safety in the workplace is. But a healthy company, a safe company, is also a company that has a healthy bottom line. They are a company that doesn't look to do do-overs, because they know how much that costs when you make mistakes. They invest in their people. They are companies that are looking at retention, making sure they can keep that human workforce within the company. They want to treat them well, take care of them. In turn, I think you get the reciprocity from those workers. Those individuals understand that an investment is being made in them in the organization. It's organizations that may be small, medium or large, but they have a vision for a brighter future in terms of more business and the type of products or services that they offer. They are the type of employers and employees and labour working together that want to build on excellence, not only when they look at workplace health and safety, but I believe and know that that translates into the type of product that they are able to build. It could be a house, a condominium, a car or a particular service that's being provided; it could be a financial service without mistakes etc. Those are companies that understand that it is seamless in terms of how you address health and safety in that it is a principled approach by the company.



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That is where our investments have come. We have some economic challenges before us, but as you've heard Premier McGuinty speak to our five-point plan, at the heart of that five-point plan is our people and the investments that we're making in our people when it comes to this knowledge-based economy, to skills. All of that also entails health and safety learning for individuals, and it changes, because you get new equipment, and new equipment means new learning. You want to make sure, first, that nobody gets hurt and also that you don't damage that equipment. Some of that equipment, with new technologies, is in the millions of dollars. A mistake that can injure the worker and cost you that individual for a period of time or, God forbid, a tragic fatality will hurt that company in many, many different ways.

The approach that we've taken has been, first, a targeted way, getting in there and looking at those very high-risk sectors and also where many of the accidents or injuries were taking place and trying to address that. I mentioned how we blitzed the cranes, how we're going to be looking at moving equipment, but also how we are moving forward now at the stage that we're at with Safe at Work Ontario, a program that is proactive and also reactive. Of course we get called in whenever there is an injury in the workplace, but we also are taking an approach to look for accidents before they happen, so coming in and working proactively with business, looking to change a mindset.

It's not always easy, but once the mindset changes, that cultural shift makes a huge difference, and it puts the company in a much more competitive place. It now has an advantage: It understands the investment that it's making in its people. Who would want to invest in their people and then see somebody not being able to come in to work?

That is the approach we're taking. I know it's the right one. It's one that will work for us today, it's principled and looks many years to come down the road.

I'm going to allow Sophie to give more detail as to what our inspectors are doing, how they're trained and how they are able to achieve some of the targets that they have: as the member mentioned, over a 20% reduction in workplace lost-time injury rates. Sophie?

**Ms. Sophie Dennis:** Thank you, Minister. Just to build on a lot of the discussion that has occurred already, 430 officers is a tremendous resource within the Ministry of Labour to deal with occupational health and safety issues in workplaces in Ontario. But it's never enough; 430 officers could not even inspect every workplace. Our approach with Safe at Work Ontario is to build on our good successes with our previous strategies and really look for other ways to lever resources beyond just the Ministry of Labour.

Our officers will be out there, as the minister said, trying to get to those workplaces that have the highest potential for injuries to occur as a result of the processes they have. Steelmaking is one of those sectors, and the processes they have are inherently dangerous. We would

be working with companies and organizations proactively in those situations.

We are still responding, unfortunately, reactively to injuries that are occurring on a day-to-day basis with respect to lost-time injuries and, unfortunately, fatalities. But what we want to do is target proactively, get to those sectors that are having those potentials and really work with the workplace parties. Part of what we're trying to do is build sustainability. As I mentioned, we only have 430 officers out there. We can't do it alone. We need workplaces to be able to do it without us being there, without us just enforcing.

So we're enforcing, but we're not just enforcing. We're trying to build compliance, and part of compliance is really promoting and helping leadership within that organization: leadership, in terms of the most senior levels of those organizations, but leadership on the shop floor as well, getting engagement and really helping the internal responsibility system get traction and some legs in some organizations. In those organizations that have a good internal responsibility system, that are addressing those issues, as I said previously, we don't have to be in those organizations as often. That frees up our very, very finite resources to be able to go to those organizations that need our dedicated attention and, where appropriate, pass the baton to our health and safety associations, to provide them ongoing support and work with the WSIB to give them additional supports as well. So as a system, we are working co-operatively to really help build sustainability within the organization.

Safe at Work Ontario is about compliance. Enforcement is part of that. As I indicated, what we are trying to do is bring workplaces to a level of minimum compliance and beyond. So, if they have issues, many of which have been already described with respect to relationship issues in the workplace, they're addressed internally. If they're not, they're called in to us and we will investigate. Those workplaces that are not addressing those, we will be there.

In addition, to help workplaces anticipate what we will do, so there should be no surprise, our website is now populated with our sector plans so industries will know what we're focusing on and why, and what they can reasonably expect us to do. Then we will report back, much like the minister has, in terms of outcomes on some of our blitzes: "Here's what we said we'd be focusing on, here's when we're focusing, and here are the results of that focus." That is what I also consider to be part of our role: to continuously help and educate workplaces. It is an education every time one of my officers enters that workplace. It's explaining what we do, why we do it, and what they can expect as an outcome.

**Mr. Phil McNeely:** Thank you very much, Chair. How much time is left? Five minutes.

I've seen that in the workplace, in the cancer treatment centre for the Ottawa Hospital; at the—I think it's Air Canada's building, the arts centre; and we had a tour of the Bruce nuclear plant. I've seen them.

You're saying that if you can develop that culture within the workplace, then you don't have to be there, and your 430 officers—which is still 200 more; those numbers were questioned a while ago—is a 70% or 80% increase over what you had in 2003-04. It's showing up; I know it's showing up. I was in the industry for 35 years. I've had the opportunity to go back, and that culture is becoming very strong, certainly with the construction industry, Aecon.

For the last three minutes, I think MPP Dickson wanted to ask a question.

**Mr. Joe Dickson:** Thank you, sir. First of all, through the Chair, member Dhillon just passed me a note that he had to go to the House for a couple of questions and would be returning.

My question, through you, Mr. Chair, to the minister is one that pertains to a local issue in my community. I must first of all mention that I had previously discussed this with your predecessor, Minister Duguid, and while he was remaining impartial and independent, he was good enough to ask that staff review the situation, so he was most helpful.

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This pertains to a particular industry in Ajax that has expansion plans which have been in the works for just over a year. They are at the stage where they are tentatively approved by the municipality, and they are running into numerous complications under their current process with particular ministry inspectors. Of course, the expansion simply means there would be more business, more jobs, and, in an area that is devastated, especially with the auto industry and the lack of employment, this, although small, is something pretty significant to our community.

The problem or challenge that I'm concerned with deals with inspectors—potentially overzealous—who are on-site reviewing a company. I would like to know if there is an avenue that I can pursue while still keeping it separate, non-political, arm's length, whether it be with an Ombudsman, a facilitator or some type of intermediate staff that could address that particular situation with me, because it's extremely problematic. I've tried to get an answer and I don't know the process, and I wonder if someone from your ministry could help me.

**Hon. Peter Fonseca:** I thank the member for the question. I'm going to ask a non-political person who's up here, Assistant Deputy Minister Sophie Dennis, to answer that question in a very non-political way.

**The Acting Chair (Mr. Bob Delaney):** She has one minute to answer it.

**Ms. Sophie Dennis:** If you have any concerns about what we do in the field, you can contact any one of our staff. I will give you names of the manager and director for that area, and I'll also give it to the committee, so that if there are any concerns on a go-forward basis, you can contact us directly. We take all phone calls.

I will say, though, we do have a code of professionalism that our staff adhere to. Every member of our operations division adheres to this code of professionalism. There are very strict elements to that code, and we do

measure our outcomes against the code. So we are open to any and all feedback. I'll give you those names, and you can give us a call.

**Mr. Joe Dickson:** I very much appreciate that information. I will do that. Thank you.

**The Acting Chair (Mr. Bob Delaney):** Okay. Unless you want to wrap it up in 15 seconds—Mr. Hillier, the time is yours.

**Mr. Randy Hillier:** Thank you very much. It was a pleasure to hear that it's not just the inspectors in Lanark-Frontenac who are sometimes overzealous.

Minister, earlier, when speaking about card-based certification, you mentioned that the labour relations board can dismiss certification if there's union abuse. I think those are the words or the term. I was wondering if, in 25 words or less, you can tell me whether that's ever happened.

**Hon. Peter Fonseca:** I'm going to ask Assistant Deputy Minister Susanna Zagar to give you some insight into that.

**Mr. Randy Hillier:** In 25 words.

**Ms. Susanna Zagar:** Yes.

**Mr. Randy Hillier:** It has, and how often?

**Ms. Susanna Zagar:** I don't have the exact number on that. I'll have to get back to you on that.

**Mr. Randy Hillier:** Could you get back to me? That would be since 2005.

I want to just continue on that card-based certification vein for a little bit. Going back to this gentleman—Oosterhof Electric in Kingston—I just want to read a couple of little bits from the letter he sent to me. Again, this is the gentleman where it cost him \$135,000, and he lost half his employees and three quarters of a million dollars in revenue.

Just for the record, I should state that card-based certification only applies to the construction sector. Again, before I go on any further, can the minister explain, with brevity, why this is only in the construction sector and if there are any plans to broaden it beyond?

**Hon. Peter Fonseca:** What I can tell the member is, the construction sector is quite unique. As the member would know, having worked in the sector, it's often mobile. Projects are on a tight deadline. People work at many different sites. Those are some of the unique characteristics that come with construction, in that industry.

**Mr. Randy Hillier:** Is there any intention to expand card-based certification beyond the construction sector?

**Hon. Peter Fonseca:** Through Bill 144, we did what we were going to do to restore the balance to the workplace that we felt was not there under the previous government, the Conservatives. We restored that with Bill 144. The way it is right now, as I mentioned to the member, our labour relations have never been better in the last 30 years.

**Mr. Randy Hillier:** Okay, thanks. I'll go back to reading this from Gary Oosterhof: "On our first day in hearings in August, the arbitrator suggested we re-examine our case and encouraged us to settle with the IBEW. In his words"—the arbitrator's words—Gary would re-



quire “a grand slam” to win this,” and that doesn’t happen. The arbitrator didn’t want to see them “throw good money away. We were tempted to call it quits but our employees were advised to pursue their right to decertify and since they couldn’t be heard ... we were forced to continue with the hearings.”

They spent 10 days over three months in hearings. At that point the arbitrator again counselled them to seek settlement with the IBEW, even though he had not heard evidence from the union side yet. “Again, our employees wanted to pursue their rights to decertify. [However] we were forced to continue” in the hearings. “The arbitrator gave us one more chance to settle. He also informed the IBEW how he expected them to present their evidence.... The next day, the arbitrator”—after hearing the evidence on the final day—“came into the hearing room and told us he was going to settle this matter. He dictated the terms of settlement and had our lawyer come up with the conditions we could live with and then ... ordered the IBEW to sign it. Three hours later we were free and decertified.”

That’s from a gentleman named Gary Oosterhof. As I said, his family and his business went through significant pain and hardship over this card-based certification.

The avenues to abuse are so open. There are so few checks and balances. Minister, I’m wondering: Is that what is expected out of your card-based certification, that people can have their businesses destroyed, loss of employment? Finally, an arbitrator demanding that it be settled after a year and a half and, like he said, \$135,000: What do you think of that system that we have in place that allows that to happen?

**Hon. Peter Fonseca:** First I say to the member that the member knows full well that I can’t speak to any particular case or specific case. But what I can tell the member is that we believe in productive labour relations. They’re the key to our economic growth. They lead to productivity, to prosperity. That’s what we work towards. I have let the member know, and the member should be able to share this with others, how our labour relations have improved. Labour employees and employers are working together here to build a stronger Ontario.

This is what I can tell the member: We’ve made a lot of progress. We will continue to work with all our partners, where you have labour, management, employees and government—working together for a more prosperous Ontario. I know that the member would want the same, and we believe the best way to do that is by building workplaces that are healthy, safe, have a good working relationship between management, employees and labour. We have brought forward some very progressive and, I say, productive changes through Bill 144. What I can say and I can’t do is speak to a particular, specific case.

1700

**Mr. Randy Hillier:** No. The question was: What do you think of a system that allows that to happen, where a small firm is run through the mill for a year and a half, half its employees end up without work, they lose three

quarters of a million dollars in revenues, they just about go bankrupt, over a salted employee in their business and where the arbitrator didn’t believe that these guys could win? Finally, after a year and a half, they did. What do you think of the system that we’ve created that allows that to happen?

**Hon. Peter Fonseca:** As I say to the member, I cannot speak to a specific case. What I can say is where we’ve really moved the ball up the field and made a lot of progress to addressing labour relations, to bringing balance, peace, stability, into the workplace. That’s what I’ve got to say to the member.

**Mr. Randy Hillier:** Okay. Again, you’ve talked about restoring peace and harmony and whatnot to the workplace. Let me just read a little bit: “We began a journey from non-unionized-status workforce to card-based certification. That was shocking with its complications and cold in its intrusions, abruptness and decisiveness.” Those are some of the words that Gary Oosterhof used. Then he goes on to say, “They count on the ignorance of contractors, businesses and their lack of knowledge on the labour legislation and/or our legal rights in situations, and they use this weakness to their advantage.” He’s talking again about this salting of employees into non-union contractors.

Those are not the words that describe a harmonious, balanced relationship, in my view, Minister. Really, it’s not acceptable, I don’t believe, that when legislation creates opportunities for abuse, that legislation creates privileged positions for some and disadvantages for others.

Finally, Gary went on to say about the whole system, “The poison that is spread is causing the labour market in this province to be sick and weak and in dire need of revamping.”

Again, there has to be, and I would like to see the Ministry of Labour consider, some modifications to this system and also an appeal mechanism. As a member from the opposite side mentioned with the overzealous inspectors, instead of having a politician calling up your ministry and letting them know about an overzealous inspector, there ought to be a series of checks and balances within the legislation that are timely, that are cost-effective, that contractors can challenge positions stated, either by your inspectors or by card-based certification, where the truth can come out quickly and cheaply without bankrupting them. Do you think that would be a fair objective to look for in your legislation?

**Hon. Peter Fonseca:** I keep letting the member know that I won’t speak to a specific case that was before the OLRB. It would not be right and I don’t think that the member would want me to do that.

**Mr. Randy Hillier:** I wasn’t asking you to speak to a specific case. My question was: Should there be an appeal mechanism that is cost-effective, that is timely, whether it be for overzealous inspectors or whether it be for union certifications? Do you believe that that would be a valuable tool for the Ministry of Labour to incorporate under the OLRB?

**Hon. Peter Fonseca:** As I've said to other members here on this committee, this is not a committee where we will produce policy. This is estimates, and that's what we're addressing here.

**Mr. Randy Hillier:** Yes, and that's why I'm addressing it here. You see, our total under that section—I think it's \$23 million we're spending under the Ontario Labour Relations Board dispute resolutions? We've talked about other—you know, how many employees you have on the enforcement side of things, but we're spending \$23 million for this Ontario Labour Relations Board and we're not getting very timely answers. We're not providing cost-effective and timely vehicles for people to challenge decisions.

I think within a \$23-million budget, we ought to be able to find some vehicle that provides checks and balances for our contractors, our employees, our employers, our unions. Everybody involved should have an effective, quick means to appeal decisions.

**Hon. Peter Fonseca:** The member speaks to a shift in policy direction. This is not a place that I feel is appropriate, and I would not ever be prepared to do that here at estimates committee.

**Mr. Randy Hillier:** Are you suggesting that having checks and balances would be a policy shift by the Liberals?

Thank you. I think I'll be finished up with my questions. Mr. Bailey?

**Mr. Robert Bailey:** Thank you. I've got one. How long do I have, Garfield? Five minutes?

**The Vice-Chair (Mr. Garfield Dunlop):** You have six minutes and 19 seconds.

**Mr. Robert Bailey:** Thank you. That was quite interesting.

Minister, I wanted to draw your attention to page 36 of your results-based plan in the briefing book. I should have given you a little notice so you could have your book out. Anyway, on the page I'm speaking of, under "Salaries and wages," it shows that the ministry is asking for an increase of 23% over last year, and when I look at the overall increase, it says 10% for the entire Ministry of Labour operating expenses.

To give a little bit of context, in 2006-07 your ministry's operating expenses were just under \$19 million and in 2007-08 they were \$22 million. According to the book, your ministry is now asking for \$25 million. My question is, if we're heading, which it looks like, for some economic turbulence, should you maybe not, with your ministry staff, look at reining in spending at the ministry? A 10% increase would seem to indicate to me that there are no concerns about financial controls, and I'd like you to explain to me how you think this is justified.

**Hon. Peter Fonseca:** First I'd like to say to the member thank you very much for the question. In the short time that I've been at the ministry, what I can say to the member is that I've found it to be very prudent and responsible, and the taxpayer of Ontario is getting value for money. But, luckily enough today for the member, we

do have Len Marino, our CAO, here with us to be able to address the question and give us more insight in regard to our expenditures.

**Mr. Len Marino:** I guess I can tell you that any increases the ministry has had in recent years—I think you've heard about some of them during these proceedings. We had additional money funded through the occupational health and safety target enforcement program. In the 2007 Ontario budget we did get additional funding for the employment standards to deal with growing backlogs and cases, and then there was some funding also provided to enhance the services at the Office of the Worker Adviser.

Aside from that, and some money that we did get for better dealing with infectious disease cases, any increases in the Ministry of Labour's budget in recent years have solely been related to increased business costs, primarily increased salary awards for staff, just to maintain current and existing staffing levels. There have been no other increases in the ministry's staffing levels over the years besides those increases. As far as the ministry is concerned—most of our money in the ministry, just so you know, of our gross expenditures primarily goes to paying for our payroll and our staff. We are pretty much 77%, so if we're fully staffed up, which we want to be, that's where our money goes, so we don't have a lot of funding flexibility.

**Mr. Robert Bailey:** Turning to page 43, and this is about pay equity, I wanted to ask the minister—they talk about the Pay Equity Hearings Tribunal's proposed estimates. According to my numbers here, you're asking for an almost 40% increase in salaries and wages for the tribunal; I would expect a similar increase in employee benefits. How many new full-time equivalents would that create, and how many hearings would you expect to have this year, and what could account for this kind of dramatic staff increase?

1710

**Mr. Len Marino:** I'm not sure where you're looking for the 40% increase in the Pay Equity Hearings Tribunal. I'm not aware of a 40% increase. The case levels at the tribunal have levelled off at about 30—

**Mr. Robert Bailey:** I'm just going by page 43. It says here, 2007-08, change 39.9%, salaries and wages.

**Mr. Len Marino:** Any increases are solely related to the salary awards. There's nothing else. The reason the percentage looks high is because the numbers are small.

**Mr. Robert Bailey:** You must have staffed up.

**Mr. Len Marino:** No, there's been no additional staffing at the Pay Equity Hearings Tribunal at all. The only additional staffing in the ministry are the ones I mentioned previously.

**Mr. Robert Bailey:** I was just going to say that maybe they started with pay equity there, they brought the pay equity up there for the staff. Maybe that's a good idea. They were probably underpaid.

**The Vice-Chair (Mr. Garfield Dunlop):** One minute.

**Mr. Robert Bailey:** Okay. I have one other question here. It's about the Office of the Employer Adviser. That



was on page 70. I had a question about employee benefits going up so dramatically when the salaries were not. I haven't looked at that one myself yet. I only have a minute, so maybe someone can comment on it.

**Mr. Len Marino:** On page 70?

**Mr. Robert Bailey:** You can get back to me on that, if you don't have it right there.

**Mr. Len Marino:** Yes, I'll need to get back to you on that one.

**The Vice-Chair (Mr. Garfield Dunlop):** That's the end for the official opposition.

I understand, in dealing with the members of the committee here, that we have consent that this will be the end of the rotation and the end of the estimates for labour. Can I have a motion to that effect?

**Mr. Joe Dickson:** So moved.

**The Vice-Chair (Mr. Garfield Dunlop):** So moved that this will be the last rotation. Does everybody agree to that? Okay, thank you. Mr. Miller.

**Mr. Paul Miller:** Mine will be a short one. I must apologize for my chest infection. I'm on antibiotics and I'm coughing and coughing. I usually shake it in three days, but I'm having a problem with this one.

I left off with the health and safety inspectors. You said you had 430 inspector positions that your ministry funds at this point. How many of those positions are vacant, and is your ministry actively recruiting replacements?

**Hon. Peter Fonseca:** I'll ask ADM Sophie Dennis to answer that.

**Ms. Sophie Dennis:** We do have a number of positions that are vacant, and we will be recruiting in the new year. It's been a capacity issue for us to have enough managers to be able to be recruiting for them. So we'll be staffing up in the new year for them.

**Mr. Paul Miller:** How many are you short? I heard it's 34.

**Ms. Sophie Dennis:** I'll have to get back to you with the answer.

**Mr. Paul Miller:** The minister stated, or I believe you stated—no disrespect—they said that you were very proud of the fact you had 430 inspectors in the field. That's not quite up to the levels it should be, with 300 and change. So, you're short. I believe you did make the statement that it's never enough; you could use another 400 inspectors. So I would assume that your managers or whoever is handling the hiring of inspectors should pick the pace up a little bit and replace the complement you have now because, as you pointed out so eloquently, there are so many places in Ontario to cover that you just don't have enough inspectors. Some places may go two years, three years, without an inspector going through there. We've already gone through a meat problem; that's the health board, but it's inspectors too. I'm really afraid that we're short-staffed in inspectors and I would like to see the full complement out there and, if possible, that you hire more.

Moving on to the farm workers' health and safety: Your ministry extended the Occupational Health and

Safety Act in a limited manner to factory farming operations. It's well known that a large number of these workers are migrant and vulnerable workers. We know that many of them are afraid to speak up for their safety, for fear of being fired. Has your ministry prepared a plan to do proactive inspections of farming operations? If so, when is it going to be implemented? And if not, when are you going to develop one?

**Hon. Peter Fonseca:** I understand that there is a plan, as I've been told by Sophie Dennis. I'll allow her to elaborate on that.

**Ms. Sophie Dennis:** As of September 2007, farming became fully integrated within our industrial health and safety program. We began proactive inspections—and frankly, when we started, when farming became part of the Occupational Health and Safety Act, we did respond to criticals and fatals; unfortunately, we had criticals and fatals.

As of this year, we started proactive inspections. It is part of our sector plan, and the plan itself is on our website. We have 27 inspectors trained to be able to respond to the very unique environment of farming. We approach it cautiously because of the biosecurity issues; we do not want to be the cause of concerns for farmers. As you know, only those farmers who employ workers are where we go. Those family farms that have no paid workers are not covered under the Occupational Health and Safety Act, and unfortunately, some traumatic injuries have occurred to family members, children. We still respond just to determine whether it is under our legislation. Unfortunately, some of those are not covered.

**Mr. Paul Miller:** I'd just make a slight statement on environmental values, in reference to the ministry. As you know, each ministry is required to prepare a statement of environmental values, or SEV. For a number of years, your ministry has had a commitment in the SEV that one of the ways that the MOL contributes to the environmental well-being of the province is to encourage the substitution of hazardous substances with those that are less hazardous.

If we take this at face value, this is an important commitment. Unfortunately, the OFL advises that in surveying their members over the years, they have failed to find a single occasion in which the MOL had actually been encouraging substitution of hazardous substances with those that are less hazardous, and they were forced to conclude that the MOL has not incorporated this commitment into its activities in the field.

Has your ministry prepared a plan to implement the commitment in the field? If so, when is it going to be implemented, and if not, when are you going to develop one?

**Ms. Sophie Dennis:** I can talk about our response to organizations using hazardous substances. If our inspectors go into workplaces—for example, if they're using asbestos or silica or any of the other designated substances that we have, we are always encouraging, as part of a control program, that one of the ways that you control worker exposures is to remove the substance so that

it's no longer being used. One way to protect a worker is not to have that substance in the workplace. We are, as part of our constant review of the OELs—occupational exposure limits—and designating substances, we do look for substitutions where appropriate.

**Mr. Paul Miller:** I don't know where you draw the line between environmental inspectors and health and safety inspectors. I don't know if it works hand in hand, but I know that hazardous landfills in Ontario have been a great concern to the people, and I can speak from personal experience. When I sat on council in my town, the Taro landfill was supposed to be a non-hazardous landfill. Unfortunately, some of the workers there—this comes along labour—were exposed to hazardous materials that the state of Michigan would not even accept. It came across the border in Niagara Falls, and it has been dumped on several occasions. The Ministry of the Environment was called to inspect. Unfortunately—you have talked about lack of inspectors, that you would like more inspectors—to give you a perfect example of giving workers exposure to hazardous material, a lot of it was biohazardous, a lot of it was chemicals that even the state of Michigan wouldn't take, and it was dumped above the mountain in Hamilton and Stoney Creek at the Taro landfill. I fought that landfill for years with—they've stretched the rules. They've been putting stuff in there that they shouldn't, and now they've applied to put another thing in there.

But what I'm concerned about from your ministry is the fact that the labour, the people who are working there, are going to be exposed to these things. The environmental minister has told me about the inspectors on-site who go to the Taro landfill and inspect one out of possibly 1,000 trucks—one out of 1,000 trucks. How can they get a handle on that situation with stuff being dumped in that landfill? I don't know what goes on in other landfills; I can only speak from the experience I had.

1720

What I'm concerned about, from your angle, is the inspectors, the people who work there. I'm concerned about their health and well-being. If only one in several hundred trucks is being inspected at a time, I'm not sure we have a good handle on what is going in there. A lot of the stuff that was put in there that was hazardous wasn't removed. It stayed there because they couldn't identify the pile it was in, they didn't know what the depth was and they weren't about to dig it out. So not only did the Ministry of the Environment fail, but I'm concerned about the workers. I don't know what your ministry is doing to protect guys working in landfills. A lot of this is dangerous stuff: tar pitch, volatiles, benzene, naphthalene—all known carcinogens, which I was exposed to on a regular basis where I worked.

All I'm saying to you is that I'm very concerned about whether the ministries are going to work together to inspect these landfills and keep a handle on the stuff that's going in and out of them and the people who work there, for their families.

**Hon. Peter Fonseca:** I thank the member for bringing forward his concerns. I can't speak to any particular case, but I can say that employers are required to take reasonable precautions when it comes to protecting all workers against exposure to hazardous chemicals in the workplace.

On July 16, new or revised OELs and/or listings for 22 substances came into effect. Those changes to those substances are as a result of proposals, which were consulted on back in 2007, that came from the ministry. Also, the member may know that occupational exposure limits are regularly updated through our annual review process, implemented by our government back in 2004. So we have made progressive change.

Before this process was put in place, OELs were not significantly updated for nearly 15 years. So things are being done; we are progressing toward making sure our employees are safe. Ontario has OELs for over 725 hazardous chemical substances. We're strengthening that protection for our workers by implementing these updates to the OELs and proposing further changes as we move forward.

Also, on July 18 this year, the Ministry of Labour began a 60-day consultation to seek input on a proposal to adopt new or revised OELs or listings for 21 chemical substances, and the submission should be coming shortly. So I say to the member that progress is being made.

**Mr. Paul Miller:** Does your ministry work hand in hand with the environment ministry? Do you do dual inspections for the safety and health of the workers in these landfills with the Ministry of the Environment?

**Ms. Sophie Dennis:** Where necessary and where we've been informed that there are some issues with respect to worker exposures, yes, and we do enforce protective equipment and testing for worker exposure.

**Mr. Paul Miller:** Would you have records of any dual inspections by the Ministry of Labour as well as environment together? Could you get that information for me? I'd be quite interested to see if they work hand in hand, because sometimes the left hand doesn't know what the right hand is doing.

This is very serious stuff. The exposure limits of these people—there's only so much a human body can take, and this stuff showing up in the latency period now is affecting workers 25 and 30 years later. A lot of baby boomers are showing up with diseases they didn't expect or there was no hereditary thing in the family; this is all through workplace exposure. It's becoming more a position of unionized workers to pursue health and safety in reference to tying it into the workplace. Of course, the companies are not too thrilled about trying to tie it to the workplace. They would rather blame it on smoking, personal habits or things like that and take no responsibility.

I hope your ministry and the Ministry of the Environment are going to work hand in hand to protect the people of Ontario in their place of employment, because these people deserve to see their pensions and their retirement with some kind of health. Personally, I've seen a lot



of my friends and a lot of people who have been exposed to these types of work environments pass away.

Basically, Mr. Chairman, that's about it for my situation. It's my understanding that the government is willing to give up their 20 minutes so we can end this today.

**The Vice-Chair (Mr. Garfield Dunlop):** That's my understanding. Are you done with your time?

**Mr. Paul Miller:** I'm done. In closing, I hope that answers to the questions I have asked in the last few hours we've been exchanging ideas will get back to me. One answer was, needless to say, a little bit weak. I didn't really get answers on one memorandum, and I probably have a number of questions—I can't even remember how many I have asked; I'm sure you've been taking notes. I hope your ministry will get back to me, so that I don't have to bring it up in the House.

**The Vice-Chair (Mr. Garfield Dunlop):** Thanks very much, Mr. Miller.

Minister, would you like to make any closing remarks?

**Hon. Peter Fonseca:** I'd just like to thank the committee and the members for bringing forward some very important questions. We've been able to bring forward and disseminate some information to the members. I hope it has been hopeful, in terms of what is happening in the Ministry of Labour and how we're working to build a healthier and safer workplace and province.

I thank the members again for their input. All recommendations are taken very seriously. Everything that was captured here will only help make us a better, stronger province. I thank everybody for their fine efforts and hard work.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you, Minister. I want to take this opportunity to thank all the staff of the ministry who were here as well.

We've got a number of questions on votes for the Ministry of Labour, which I will now put.

Shall vote 1601 carry? Carried.

Shall vote 1602 carry? Carried.

Shall vote 1603 carry? Carried.

Shall vote 1604 carry? Carried.

Shall vote 1605 carry? Carried.

Shall the 2008-09 estimates of the Ministry of Labour carry? Carried.

Shall I report the 2008-09 estimates of the Ministry of Labour to the House? Agreed.

With that, I want to point out that we won't be meeting tomorrow, but I want to confirm that estimates for the Ministry of Agriculture, Food and Rural Affairs start on the afternoon of October 15, when the House is back.

Thank you very much, everyone, and enjoy the day. The committee is adjourned.

*The committee adjourned at 1727.*

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# Official Report of Debates (Hansard)

Wednesday 15 October 2008

# Journal des débats (Hansard)

Mercredi 15 octobre 2008

## Standing Committee on Estimates

Ministry of Agriculture,  
Food and Rural Affairs

## Comité permanent des budgets des dépenses

Ministère de l'Agriculture,  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 15 October 2008

Mercredi 15 octobre 2008

*The committee met at 1604 in room 151.*MINISTRY OF AGRICULTURE,  
FOOD AND RURAL AFFAIRS

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. Welcome back to the Standing Committee on Estimates. Thanks to all members in terms of adjusting the schedule to allow energy to go at the back of the pack so our critics can both be here at the end of November. I hope that folks had a good evening last night.

Minister, welcome. Deputy Minister Archibald, welcome, and—

**Ms. Karen Chan:** Karen Chan.

**The Chair (Mr. Tim Hudak):** Ms. Chan, who is CAO at the ministry and assistant deputy minister. Fantastic.

We have the consideration of the estimates for the Ministry of Agriculture, Food and Rural Affairs for a total of seven hours and 30 minutes. As you know, Deputy, the ministry is required to monitor the proceedings. There often are questions that the ministry may not be able to answer directly, and we do ask you, as soon as you can, to get the answers back through the clerk so we can distribute to the committee members. Feel free at the end of each session to have a discussion with our research officer, Carrie Hull, just to make sure that we have the questions as asked by the individual members.

Folks, I'm going to say this at the beginning of the meeting, and I'll ask that you get back to me for our next meeting if there are any objections. The way the new House rules and timing have played out, it does give us an opportunity to start at 3:30 for estimates, and I mean this more directly to the regular members of the estimates committee. If we begin at 3:30 and go to 6, that does give us an additional hour each week, which will probably mean some ministries we could finish up in a shorter period of time than we currently do. So my intention is, then, beginning with the Ministry of Finance, to begin the afternoon sessions at 3:30 until 6. If I hear objections from committee members, I could reconsider. So think about it and get back to me next week.

Are there any questions before we begin the proceedings this afternoon?

**Hon. Leona Dombrowsky:** Mr. Chair, I just want to clarify that the change in the calendar time does not apply to this ministry.

**The Chair (Mr. Tim Hudak):** Absolutely right. The Ministry of Agriculture, Food and Rural Affairs will continue as scheduled, as do the subsequent ministries. What we did was we added a week on the end and moved energy to the end, which will be of benefit. Mr. Arnott?

**Mr. Ted Arnott:** Thank you, Mr. Chair. I've been asked to sub in today for Ernie Hardeman, the member for Oxford, who is our party's agriculture critic, on rather short notice. I'm just wondering if as committee members we'd be given a copy of the minister's presentation, if that would be possible, to follow along as she gives it.

**The Chair (Mr. Tim Hudak):** Minister, if you choose to do so, that has been the custom, but usually the critics are here. Mr. Hardeman, I know, had an important event in his riding and Mr. Arnott is filling in. If you don't want to do so, you're under no obligation; if you do, that's terrific, and members may appreciate that.

**Hon. Leona Dombrowsky:** I will certainly do my best to get one for you, Mr. Chair, so you can provide it to Mr. Arnott and also to the NDP.

**The Chair (Mr. Tim Hudak):** Perfect; thank you. That's very kind.

All right, I'll now call vote 101, which means that we'll begin with a statement of not more than 30 minutes by the minister, and that will be followed by statements or questions, however you want to use the time, of 30 minutes from each of the opposition representatives. Then the minister will have 30 minutes for a reply, in which you can address new issues or respond to the issues that the members of the committee have brought up. That will probably conclude our session for October 15. If not all the time is taken up, then we'll begin with a 20-minute round with the official opposition.

Minister, the floor is yours. You have 30 minutes.

**Hon. Leona Dombrowsky:** Thanks very much, Mr. Chair. I want to say that the Ministry of Agriculture, Food and Rural Affairs is very happy to be here before the estimates committee to present the activities within this file to the members of the committee, but also this is recorded publicly. We think that it's a tremendous opportunity to highlight the work of the Ministry of Agriculture, Food and Rural Affairs.

1610

I am delighted to have with me a number of members from my ministry. Two are sitting at the table and I will identify them. We do have other members of staff. So if over the course of the afternoon we would require them

to assist, providing some detail around the programs that you may ask about, we will bring them to the table and they will be introduced as they come forward. With me today is deputy minister for this file, Dr. Bruce Archibald, and also, sitting beside Dr. Archibald is Karen Chan, who is the chief administrative officer and assistant deputy minister in this file.

I do welcome the opportunity to stand before you today and talk about the abiding respect and appreciation that our Premier and this government have for the people who represent Ontario's agriculture and food industry and our rural communities. They represent an enormous, diverse and integral part of our province's economic and social health. We understand how important it is for them to remain competitive and successful, from rural business, to the multi-generational family farm, to the many commercial enterprises that rely on our agriculture and food sectors. Their success is connected to each other, and their success means a stronger Ontario.

We have a good foundation to work with. Ontario is very fortunate to be blessed with abundance and excellence in both natural and human resources. More than half of Canada's best agricultural land is located right here in this province. With that land, our farmers produce more than 200 commodities. This is the most diverse agricultural province in all of Canada. From cut flowers to car parts, we are growing new ideas and pushing toward new levels of technology and innovation. We have the resources and the people power to build agri-food excellence.

Ontario's farmers have helped to build our world-class agri-food sector. Through the Premier's Award for Agri-Food Innovation Excellence, we continue to recognize their hard work and investment in innovative ideas. We know that farm-level innovation enhances profitability in the marketplace, meets evolving consumer demands and manages the effects of farming on the environment.

We are a world leader in technology, research and development, and more than three quarters of our agri-food exports are now value-added. Field-fresh to fork-full is high-tech business in Ontario.

Food processing represents one of Ontario's key industries and it moves forward at a steady pace. The province is an attractive host for processing companies and contains Canada's major food industry cluster. More than half of national food processing companies, both large and agri-preneurial, generate over 120,000 processing-related jobs and more than \$32 billion in annual sales in Ontario.

That type of success doesn't happen overnight. It takes passion, commitment, hard work and a shared vision. A strong vision helps us to focus on our goals. That is why the Ontario Ministry of Agriculture, Food and Rural Affairs recently renewed its vision—thriving rural Ontario agriculture and food sectors—and mission: “a catalyst for transforming our agriculture and food sectors and rural communities for a healthy Ontario.”

OMAFRA renewed its vision and mission statements to ensure that government is keeping in step with

society's changing needs, and our society has had many changes over the past century. Our agri-food sector has grown and adapted with the passing decades.

Today more than ever it is important to help make even greater strides in order to stay competitive. It's not just about coming up with more new value-added foods or convenient packaging; it's about finding ways to alleviate consumer concern over food safety and security. It's about coming up with new, environmentally friendly uses for agricultural products, uses that will lower our dependence on fossil fuels and raise our ability to turn agricultural waste into renewable energy and a myriad of products, from car parts to clothing, all hopefully based on raw agricultural materials.

Now I'd like to focus on ministry priorities and strategies. Ontario's agri-food sector is the second-largest goods manufacturing industry in this province. It contributes more than \$30 billion to this economy every year and employs over 700,000 people. Our priority at OMAFRA is to strengthen Ontario's agri-food sector, enforce and improve food safety, protect the environment and strengthen Ontario's rural communities. We are addressing these under two main strategies: the first, strong agriculture, food and bioproduct sectors and strong rural communities; and the second, healthy people and a healthy environment.

It's no secret that the agri-food sector in Ontario is facing ongoing and new challenges, in particular rising energy, feed and labour costs. Many rural communities are facing issues such as attracting, maintaining and expanding businesses and meeting infrastructure needs. Our ministry continues to work with partners to help the agri-food sector and rural Ontario meet these challenges.

We are pursuing strategic investments in fostering innovation, developing research capacity, enhancing market opportunities and supporting rural communities. OMAFRA is also working on a transformational agenda to help effect change for the long term.

The ministry's key activities fall broadly under six categories within two strategies. Under our strategy of strong agriculture, food and bioproduct sectors and strong rural communities we have economic development, research, business risk management transfers, regulated marketing and capital. Under the strategy of healthy people and healthy environment, we're focused on activities around food safety and the environment.

Food safety: It has been a priority for the McGuinty government from day one. Shortly after taking office, we commissioned the Honourable Mr. Justice Roland J. Haines to undertake a review of the province's meat inspection and regulatory regime. This government is committed to continually strengthening Ontario's food safety systems to provide safe food for Ontario. That is one of the reasons we asked him to provide us with recommendations on how to enhance our food safety system. We are committed to implementing his recommendations in a responsible manner.

Of the 85 recommendations from his report that apply to the Ontario Ministry of Agriculture, Food and Rural



Affairs, 71 are complete, while significant progress has been made on the remaining 14.

As a first step, we proclaimed the Food Safety and Quality Act and introduced a new, stronger meat regulation. This legislation ensures that meat processed in provincially licensed plants for consumption in Ontario meets food safety requirements.

We created a food safety division led by a single senior executive who also has a direct connection to Ontario's chief medical officer of health. We increased the number of meat inspectors in the Ontario public service from 10 to 107 full-time and 63 part-time positions. We proclaimed the Food Safety and Quality Act in 2005. We introduced a modern, science-based meat regulation.

The McGuinty government continues to work with the food processing sector to implement good manufacturing practices and hazard analysis critical control point systems—those in the industry and those of you who speak with your constituents would know it as HACCP. We also continue to work with the industry to put in place a traceability system that will allow us to track foods and their ingredients from the farm almost right to your fork.

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OMAFRA also continues to pay for \$200 of the \$300 registration fee for the mandatory food handler training course.

Justice Haines was very clear in his recommendations that all meat processing operations, whether an abattoir or a free-standing meat processor, should meet the same food safety standards. Our government recognized that partners would require assistance to meet these new requirements. That is why we are providing up to \$25 million in financial assistance for those operators.

We have also funded the Ontario Independent Meat Processors to provide technical and business advice and followed up with an additional commitment of \$800,000 to continue with the delivery of the meat plant assessment services.

As part of government's role, OMAFRA is committed to strengthening a science-informed food safety system that will protect public health as well as enhance the competitiveness of the Ontario agri-food industry.

I'd like to talk about the University of Guelph agreement. In 2007-08, the ministry also had some notable one-time payments, which included: \$150 million in one-time provincial assistance for the Ontario cattle, hogs and horticulture payment and other industry transformation initiatives; and a \$56-million investment to the University of Guelph for research, animal health and the Ontario Veterinary College. This money was independent from the recent agreement we signed with the university in the spring.

The university is internationally recognized as a leader in the field of agri-food and veterinary sciences. Last year, it was ranked the number 1 comprehensive research institution in Canada, and it ranked number 7 worldwide for its impact on agricultural sciences—the only Canadian university among the top 25 institutions cited.

Between 1996 and 2007, an annual provincial investment of \$54 million in the University of Guelph partnership leveraged more than \$1 billion in returns per year. Researchers at the university are continually exploring new horizons in the heart of agricultural and environmental innovation.

We all benefit from the success of this partnership: Poultry fed flax and fish oils produce meat rich in omega-3, a heart-healthy discovery and one of the many positive results that come from the university's long-time partnership with the Ministry of Agriculture, Food and Rural Affairs; the current \$650-million Ontario soybean market is built on 25 years of research conducted through the partnership—into better production, yields and innovative uses such as soy milk, soy-based diesel and even a potential treatment for kidney disease; laboratory testing to protect the food supply, our health and Ontario's reputation in global markets; new, hardier crops and the latest production techniques that improve farmers' bottom lines and our food choices.

I am confident that we will see even greater benefits through our new multi-year partnership agreement with the University of Guelph. It will receive \$300 million over the next five years to help it continue its top-notch agri-food and rural research and development programs, animal health and food testing services, and veterinary education. This agreement is built upon a new vision and outcome-oriented performance management system more aligned to transforming the agri-food sector.

Thinking about the future sort of gets me excited—I think it gets all of us excited—because what I see is a true renaissance happening in the Ontario agri-food industry. Ontario can and will build on its position as a leader in agri-food innovation because we have the advantage of this unique partnership and the many connections with other global research institutions that it entails.

This province is well positioned for the future. We are home to many active biotechnology companies. We have the lion's share of our country's prime agricultural land. We have world-class scientific research communities and we have a Premier and a government that recognize the importance of investing in innovation. Part of that innovation means looking for new ways to create cleaner fuels. That's why we introduced a renewable fuels standard requiring gasoline sold in Ontario to contain an average of 5% ethanol, and why we created the Ontario ethanol growth fund. The OEGF has helped the province's ethanol industry gain a firm footing, leveraged key private sector investment and has helped build the market in infrastructure both for increased ethanol production and the next-generation biofuels. It has supported and enabled an environment that will allow new technologies to flourish.

The reality is that there are many other complex factors that affect commodity prices. It is clear that greenhouse gas emissions are contributing to global warming. The impact of climate change poses a greater risk to food security. Biofuels and a growing bioeconomy

are part of the solution. The Ontario government has always recognized that corn-based ethanol is only one of several methods of producing cleaner fuels and a healthier environment.

We will continue to support innovative research and approaches that ensure ongoing improvements to related products and processes. In terms of dollars, we know that moving toward a bio-based economy provides the opportunity to displace some of the \$12.6 billion worth of petroleum that Ontario has to import each year. Research is key and Ontario is opening the door.

**The Chair (Mr. Tim Hudak):** About 11 minutes, Minister.

**Hon. Leona Dombrowsky:** Oh, boy. So much good news and so little time.

In addition to the OMAFRA-University of Guelph agreement, the province is also funding research into biofuels made from agricultural resources at the University of Western Ontario. With OMAFRA's New Directions and Alternative Renewable Fuels Plus Research program, we are supporting novel research and exploring new markets and new uses for alternative renewable fuels, bioproducts and their co-products. Our government continues to invest in initiatives like Soy 20/20, the Ontario BioAuto Council and the BioCar research initiative. Investments like these will help create innovation and new markets for Ontario's agri-food sector and rural communities.

Mr. Chair, it would appear from the stack of paper I have here that I'm not going to get through all of my notes, but I'm happy that I'm getting to the very best part of it right here. So if I'm not able to continue for all of my speech, I do want to say that I think what we are so pleased about right across Ontario, and what we hear most about, is our buy-local Pick Ontario Freshness strategy. As we look to new markets—

**The Chair (Mr. Tim Hudak):** Minister, you do have a 30-minute wrap-up too, if there are other issues you want to address.

**Hon. Leona Dombrowsky:** Okay. Well, thank you very much, Mr. Chair.

As we look to new markets, we continue to promote the outstanding quality of fresh Ontario-produced foods.

Earlier this year we held our fourth successful Premier's Agri-Food Summit, with more than 100 agri-food leaders attending. The theme of the summit, as suggested by these agri-food leaders, was Buy Ontario. Our government has listened and it has taken action. We have championed the drive to encourage consumers to buy local.

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Many retailers have caught the wave and developed buy-local strategies of their own in response to increasing consumer demand. Just a couple of examples, but I think they are significant: Sobeys has introduced a Compliments label for Ontario beef, pork and chicken. The packaging contains the Foodland Ontario logo and the products are being promoted in Sobeys's weekly flyer. Highland Farms offers an Ontario fresh meats line, in-

cluding beef, pork, chicken and lamb. Loblaw's has recently launched their Grown Close to Home campaign. Loblaw's also currently offers Ontario corn-fed beef products in Your Independent Grocer and Valu-Mart banner stores.

Consumer awareness for OMAFRA's own Foodland Ontario brand is at an all-time high. The Foodland Ontario symbol is recognized by 94% of Ontario principal grocery shoppers, and 88% of these shoppers associate the symbol with fresh Ontario produce. Eighty-seven per cent of principal grocery shoppers also indicate that they would prefer to purchase Ontario-grown produce.

With an investment that was announced in 2008 of \$56 million over four years, our government is building on this momentum. We will continue to increase consumer awareness and meet consumer demand for fresh, Ontario-grown local food through our Pick Ontario Freshness marketing strategy. This strategy includes support for the Ontario farmers' market initiative.

Research carried out in 2006 shows that the 125 markets represented by Farmers' Markets Ontario have annual sales of \$645 million, and they have an economic impact on the province of \$1.9 billion. In 2008, Farmers' Markets Ontario represents 113 member markets of an estimated 130 across the province, so that's a pretty significant representation.

Our multi-pronged approach on promoting healthy Ontario food includes working with sister ministries and Ontario growers on projects such as the healthy eating and active living strategy.

OMAFRA and the Ministry of Health Promotion, in conjunction with the Ontario Fruit and Vegetable Growers' Association, local health units and school boards in Porcupine and Algoma districts, are in the third year of implementing a northern Ontario fruit and vegetable program to over 12,000 elementary school children. These children receive a fruit or vegetable snack two days a week, with over 80% of the produce being grown in Ontario.

Last month, our ministry also took part in the Eating Healthy Looks Good On You pilot project that was introduced by the Premier. Ontario has already dropped trans fats from lunch menus, school vending machines and tuck shops, and with this new pilot project we are helping to encourage healthier food choices for students, with easy recipes to use fresh, locally grown foods.

Our Pick Ontario Freshness strategy also includes the Ontario market investment fund. Through the market investment fund, we are offering to partner with agri-food industry groups and local food networks to help either jump-start or maintain momentum for local food initiatives. We are providing \$12 million over the next four years to projects that focus on local market research, building local networks, connecting farmers with food service businesses and other promotions. This program is really all about relationships, bringing together both large and small groups of people dedicated to selling fresh and abundant foods that are grown and made right here in Ontario. We want local food networks, farm and



commodity organizations, food processors, retailers and individuals to get together and send in project submissions that cover such things as market research, promotional strategies or getting expert advice and assistance to coordinate local efforts.

I had the opportunity to promote the Ontario market investment fund at the Local Food Action Forum that was held in the Niagara region in August.

As my time is quickly drawing to a close, I would say that I'm sure that I'm going to have a few more things to say in the wrap-up, but I do want to talk about support for farmers.

This government recognizes the challenges Ontario farmers face, and that is why we have provided more than \$1.2 billion over the past five years in farm income and support programs. In December of last year, OMAFRA began the implementation of a new suite of business risk management programs and made a decision to continue non-business risk management programs that already existed under the agriculture policy framework.

Beginning in February, the ministry also provided more than \$130 million in direct support to cattle, hog and horticulture producers who had been facing financial pressures over some years. They came to us and told us that they had some hardship over some years, so we provided \$130 million to allay those pressures. In addition to that, they were also victims of a higher Canadian dollar, higher input costs and lower market prices.

We also provided \$20 million toward a variety of initiatives aimed at creating a more sustainable future for the sectors. As part of the transitional support package announced in January 2008, we provided \$9 million to cattle abattoirs in Ontario. The funds helped the abattoirs with some of the operational costs that resulted from the July 2007 implementation of the Canadian Food Inspection Agency's enhanced feed ban regulations.

During development of a new agricultural policy framework, we moved forward with programs designed to mitigate shorter-term risks for Ontario producers. Initial payments under the three-year risk management program pilot project to support grains and oilseeds were also committed and began to flow in 2007. This, again, was a program where we worked very closely with representatives from the grains and oilseeds sector. We've implemented a program and we continue to look for the federal government to participate because this is something that the sector made very clear was important to them.

Mr. Chair, I have appreciated this opportunity to tell you about how, from the concession road to the city lights, we have been listening and working to build a better quality of life for the people who live and work in rural Ontario. We must always remember that agriculture is the foundation that built this province. Through the Ministry of Agriculture, Food and Rural Affairs, we will continue to reinforce and build on that foundation so that it stands strong for generations to come. This portfolio is very large and multifaceted. It serves a great and complicated sector with no single solution to the many issues

that inevitably come with the territory. Our ministry interfaces with many partners from the farmgate to the dinner plate and that means there will always be a broad range of interests put forward and a multitude of issues solved.

I do look forward to the questions that will come from the members of this committee and I do have some other remarks that perhaps I can add when I do my wrap-up this afternoon. Thank you very much.

**The Chair (Mr. Tim Hudak):** Terrific, Minister. Thank you very much for your opening comments. Thanks also for voluntarily distributing your comments, the formal remarks, to members of committee. I know they appreciate it. Again, we'll have 30 minutes for the official opposition, 30 minutes for the third party, and the minister, 30 minutes for summation and to respond to comments from your committee colleagues. Mr. Arnott, you have 30 minutes.

**Mr. Ted Arnott:** Thank you, Minister, and staff for coming to this committee today to deal with some of the issues that we've begun to talk about and answer the questions that we have. As I said earlier, I'm pleased to be here on behalf of the member for Oxford, Ernie Hardeman, who is our agriculture critic. Unfortunately, because of another commitment in his riding, he couldn't be here today, but he certainly plans to join this committee for the subsequent meetings that will take place as the agriculture and food estimates continue to be discussed.

Certainly, the minister has graciously provided me with a copy of her opening remarks and I appreciate that very much. I think it's very helpful to have this in front of us as we go through it. I realize you couldn't cover all of the issues that you wanted to, but at the same time I think it's helpful to have this information and I appreciate the overview of what the ministry's been doing. I certainly want to commend, congratulate and thank the Ministry of Agriculture and Food staff, many of whom live in the great riding of Wellington-Halton Hills, some of whom live in the great riding of Guelph and other ridings as well. But certainly I'm acquainted with a number of your staff and they are excellent, professional public servants and we do appreciate the work they do. I hope you'll pass along my thanks, Deputy Minister, to everyone there.

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I have a question that arises from your statement, Minister. You talked about the buy-local efforts of the ministry to encourage consumers to buy food that is produced and processed in Ontario. One of my constituents is Anita Stewart—and I know you're acquainted with her too—who has done a lot to encourage this idea, and I've spoken to her on a number of occasions about this. I was just wondering if the cafeteria at the Ministry of Agriculture and Food head office is now making an effort to ensure that the food that is prepared and served to ministry staff is Ontario food?

**Hon. Leona Dombrowsky:** I'm going to begin that response. I'm very delighted to answer the member's

question. It was a very interesting point that was raised by his constituent Anita Stewart. When we did pursue investigating how much food was sourced—and by the way, it wasn't just the cafeteria in Guelph. We wanted to know more broadly how much food in the public buildings of the province of Ontario was sourced locally. We felt that it was a respectable number. I'm going to ask staff who are at the table here to respond.

You would also appreciate that there are some products that we'll never grow—no, I shouldn't say we'll never grow bananas in Ontario; we might just grow bananas in Ontario.

**Mr. Ted Arnott:** But we don't today.

**Hon. Leona Dombrowsky:** Who knows what they're doing over there in Vineland.

In any case, I think it's a very valid point and I'm happy that you've raised it. Deputy, would you like to give the figures? I think you might be surprised and, hopefully, reasonably pleased; that's why I want them to be exact.

**Dr. Bruce Archibald:** We'll get you the exact percentage.

I will tell you that Ms. Stewart raised this issue with us in a number of different forums, and I've told her privately and publicly that I thank her for that challenge because I think it was appropriate to see what we could do to even further encourage the use of Ontario produce in our cafeteria at 1 Stone Road.

When we talked with the folks at Sodexo, the good news was that over 70% of the produce they were using was Ontario-based. Clearly, milk, cheese, chicken, all those things, were coming from Ontario sources, but they hadn't done a lot in terms of actually promoting Ontario produce. We had a group work with them. We had our Foodland Ontario people come down and talk about different initiatives. We worked with them on feature menus and actually having produce available for staff to buy in the cafeteria if they wanted to. So if you needed to bring a tomato home that night, you didn't have to go to the local grocery store; you could actually buy it at the cafeteria. We have seasonal specials that we promote. Every single day now, when you first come down into the cafeteria, you'll see the Ontario feature of the day. I will get you the exact percentage. It is considerably more than 70% now. As the minister said, there are certain items that our staff like to purchase that aren't grown in Ontario, but I think there was a real effort. There are banners, there are recipes.

Anita has been a tireless promoter for us. In fact, she is part of our United Way campaign today, and she was in the building autographing her new book and, again, talking about the good things that grow in Ontario, and she has been an ambassador for us in our Pick Ontario Freshness program.

It was good to have that social conscience. I think the folks involved in running the cafeteria have been extremely responsive. If you go there now, you will see lots of good evidence and banners of that. I think for our staff and for people who come and visit the building,

because it is a public building, there is a real sense of pride for us in terms of things that we are—Karen just passed me a note here that over 80% of all the food that's now in that cafeteria is sourced Ontario product.

**Mr. Ted Arnott:** I'm pleased to hear that you're taking this seriously and making efforts toward getting it closer to 100%. On one level it is a symbolic gesture, but on another I think it makes a strong statement about the ministry's leadership in this regard, and we should be making a real effort toward 100%.

I want to raise with the minister and staff some questions surrounding AgriCorp.

*Interruption.*

**Mr. Ted Arnott:** No one paid the hydro bill?

**The Chair (Mr. Tim Hudak):** I thought it was mood lighting, maybe. I don't know.

**Mr. Ted Arnott:** In all seriousness, the issue of AgriCorp is one that is important to the people of Ontario, as well as farm families. As you are well aware, Minister, there was an audit by the Auditor General of AgriCorp and its delivery of farm support programs, which I'm told was commenced in September 2007, so that's just over a year ago. On July 14, 2008, in the summer of this year, the report of that audit was released. I understand that there were 17 recommendations for action by AgriCorp and the ministry to improve program delivery and accountability. While a number of the recommendations dealt with the CAIS program, they remain valid for the successor program, our caucus believes.

My first question with respect to the AgriCorp issue would be, how many of the recommendations from the Auditor General's report are being addressed in these estimates that we are discussing and debating today and in the next few days?

**Hon. Leona Dombrowsky:** First of all, I'm going to give staff the heads-up that I think they will be able to give you the detail in terms of what might be included in these estimates that will assist us in meeting the recommendations that came from the auditor.

I'm very aware of the report; I asked the auditor for it. It did take a good deal of time. It's a very comprehensive document. I'm sure those of us who represent rural ridings in this room have heard a lot about AgriCorp problems that may have been experienced. Ontario is rather unique in that we are one of three provinces—Ontario, Prince Edward Island and Alberta—in Canada that have our own delivery agency for the risk-management programs. In the other provinces, the program is managed by the federal agency. So I did ask the Provincial Auditor to look at whether it would be more cost-effective to have the federal government's agency administer the programs, as is done in most other provinces in Canada. This did require some time. I think that the auditor, as he always does, took his time to do his job well. I asked him to do that in September 2007; the report was issued in July. I had the opportunity to meet with the auditor before it became public and to thank him for his very good work and a very comprehensive document.



With the recommendations that we received, I then went to the agriculture community, because it was really for that community that I made the request. They had suggested that this was something that needed to be done. They wanted to be sure, and I wanted to be sure, and I needed to be able to say to producers in Ontario who would be using risk management programs, "You are getting the best value for your dollar with this agency in place."

Deputy, I'm going to ask you if you could address more specifically the recommendations that came in the report and how many would be included in the estimates, as they have been presented in this document.

**Dr. Bruce Archibald:** As the minister has already stated, she received the report and she asked stakeholders to review it to provide feedback to the ministry. They had till the end of September to do that. They've submitted a number of different comments. In many areas, they're very supportive of recommendations; in other areas, they would like us to consider different options. We're putting those together for the minister and we'll be presenting a summary for her in terms of the feedback from various stakeholders and where they go.

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In terms of this specific 2008-09 budget, there are no changes to our budget to reflect any of the recommendations that were in the auditor's report. I think it's really for going forward, so as we go into 2009-10 and beyond, some of the recommendations the auditor talked about were things that AgriCorp had begun to implement in terms of various kinds of tracking systems, improved customer performance and those types of things. But in terms of the actual budgeting for the ministry in 2008-09, there is nothing in there that is specifically designed for the recommendations in the report. As we present those to the minister and we develop our own results-based plan for going forward, we'll have to consider those and see where they fit into the budget going forward from here.

**Hon. Leona Dombrowsky:** If I may also add, I indicated to you that after I received the report from the Provincial Auditor, I did ask, over the course of the summer, for our partners in the industry to review the recommendations and provide me with their feedback. I certainly wanted to understand from our industry partners: Do they support all of the recommendations? Were there any recommendations that they might think we should not move forward on? And, by the way, there are. Would there be some priority in terms of what recommendations we should move on first? All of this information we are now considering.

Rather than say that we have this report and this is what we're going to do, before we ask our stakeholders—I thought that would be very premature. So we're taking the time, we've asked our stakeholders; they've been very good to accommodate us with their advice and some direction. They've identified a couple of the recommendations that they prefer we not move on—by the way, it might generate some revenue—so that's all

something that we're taking into account. I do hope that within the few weeks ahead we will be able to provide you with our plan going forward with respect to AgriCorp.

**Mr. Ted Arnott:** Well, I'm all for consultation and I appreciate the fact that the minister has taken this step to consult with the industry. It has now been about three months, I think, since you received that report. I believe consultation, generally speaking, should have a beginning and an end, and then the government should take appropriate action. What is your end date for this consultation process and when would you expect to conclude it?

**Hon. Leona Dombrowsky:** Actually, the consultation ended September 30. This is an important issue and we do want to move on it. I guess we really didn't have anything to say about the timing when we received the report. It was right at the beginning of the harvest season, when things are very busy on the farm. That's why we did allow, over the course of the summer, some time for our stakeholders to consider what was in the report. That's why we set September 30 as the deadline.

We are still reviewing the documents that we have received and now beginning to review what their priorities are and setting our own. So as I indicated, I would expect that certainly in the weeks ahead, I'm sure before the end of the year—I can't be any more specific than that today—I will be bringing forward my plan. I also have to now speak with folks at the agency. So there's a good deal of work.

The way that we have operated in this file is that we want—I use the Latin phrase "*festina lente*," which is "make haste slowly"—to make sure that as we move forward, we do it in a thoughtful way, that we consider all of the points that have been brought to our attention so that we don't have to go back and retrace our steps and fix it later on.

**Mr. Ted Arnott:** You indicated in your answer that some of the industry stakeholders, in the context of your consultation, have expressed the view that they are opposed to some of the Auditor General's recommendations. Which ones have they indicated that they are opposed to? Which groups have indicated opposition? Do you agree with those groups?

**Hon. Leona Dombrowsky:** The deputy is helping me with my marked-up document.

There is one recommendation that—and we're going to go back to the BSE crisis. At that time, we knew that cattle farmers were in trouble, so, in order to deal with that and get them money that they needed to keep their operation going, dollars were sent out. This was before the CAIS program actually came into effect, and these dollars were provided to producers with the expectation that when the risk management program became implemented, they would participate. So dollars were paid on that basis.

Now, not all producers chose to participate in the risk management program. What that means now is that potentially they are in a situation of overpayment, where

they received dollars that the government provided in good faith, and they've chosen now not to participate in a program where their—and typically what happens when that kind of an advance is made is that then, when people participate in a program and they get a payment, their advances are recovered at that time. If they choose not to, then those dollars are still on our books.

The Provincial Auditor, in recommendation number 7, has said that AgriCorp—we have made the decision as a government not to pursue farmers who are in an overpayment situation with a collection agency, and you can read recommendation number 7 in the auditor's report. The Provincial Auditor is saying that we should engage a collection agency to go after these overpayments. It also indicates that we should implement procedures to offset any debts owing to the ministry or AgriCorp by deducting them from farm support programs.

What I will say to you is, again, when we provided the \$130 million for the cattle, hog, and horticulture farmers, and we did that because they had suffered some years of hardship and not making any money, it seemed rather counterproductive to say to these folks, "Oh, by the way, we're going to provide you with this payment to help you out because we know how difficult it is, but, by the way, we're going to claw it back because you owe us some money." So we've made that decision as well.

What we've heard from some of our stakeholders is that they would prefer that the government not follow the direction that was provided by the Provincial Auditor with respect to a collection agency, and that in those times when there are significant hardships, that may not be the best time to recover an overpayment. So that's one example.

Another recommendation that was presented by the auditor, and again there's some mixed feeling about it—you have heard in your riding, I'm sure, and I've heard it, where they say, "You know, this CAIS program is so complicated I had to go and hire an accountant." Well, actually, in the province of Quebec, if you want to participate in their risk management program, you do have to hire an agent or an accountant who is familiar with the program. What the Provincial Auditor identifies in the document is that when agents are engaged—a lot of the delays and problems that people have with AgriCorp and getting their money on time come from the fact that the forms haven't been filled out correctly or things have been forgotten. The incidence of that happening when agents or accountants are employed is significantly reduced. So the auditor said, "You know what? We think the law they have in Quebec that says that if you want to participate you have to have an agent is a good one."

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I'm sure you can appreciate that some of the feedback I've received from our partners is that, no, they don't think that it should be a requirement that they would have to engage an agent to do their paperwork if they want to participate in a risk management program.

So those are two examples of where the Provincial Auditor has provided some recommendation and where our stakeholders would have a difference of opinion.

**Mr. Ted Arnott:** How would you define the word "overpayment" in a risk management program that's administered by AgriCorp? What does that mean to the ministry? I have my sense of what an overpayment is, but what does the ministry see—

**Hon. Leona Dombrowsky:** I would be very happy to invite one of the staff from the ministry to tell you exactly what we consider to be an overpayment.

**Mr. Ted Arnott:** To me, an overpayment is an error that is made by the administrative functional branch, whether it be government or another outside agency, whereby someone who has applied for money or is in receipt of money received more than they would have normally been entitled to under the parameters of the program. Am I wrong?

**The Chair (Mr. Tim Hudak):** Could the civil servant introduce herself and state her position to the committee and then please respond to Mr. Arnott's question? Thank you.

**Ms. Christine Kuepfer:** My name is Christine Kuepfer. I'm the director of the farm finance branch, which is the branch responsible for overseeing the relationship with AgriCorp and the BRM programs.

You're correct that an overpayment results from when a farmer receives more money than they're entitled to. There are a variety of reasons, though, for which this could occur. As you know, the programs are calculated based on income tax information and other sorts of particular financial information about the farm, and if we receive amendments to that later on, that that data has changed, then the payment would be recalculated and that sometimes can result in an overpayment situation. In other words, it's been calculated differently, and their entitlement would have been lower than what they would have received. So that is one example of when they would have received an overpayment.

**Mr. Ted Arnott:** These risk management programs typically are a fixed, allotted amount of money. They're not open-ended programs, with an unlimited amount of money allocated to them on an annual basis, are they?

**Hon. Leona Dombrowsky:** The risk management programs are an entitlement program. They're different than an ad hoc program, such as the cattle, hog and horticulture program, which is a fixed amount of money and when the money is gone the program is over. However, with the Canadian agriculture income stabilization program, that is demand-driven. That is why, in any given year, the budget for that can fluctuate, depending on the needs within the industry.

**Mr. Ted Arnott:** But there were some farmers who would have been turned down and not received funding. I've had constituents who have come to my office to tell me that they think that when an overpayment has been established and not recovered, that means another farmer, who might be in real need as well, is unable to access the provincial government's support. You're telling me that's not correct in this case.

**Hon. Leona Dombrowsky:** No, that would not be the case. Because someone is in overpayment, that does not



have any impact on the dollars that we are then able to provide to those who do qualify.

We have an agreement with the federal government, and those dollars flow based on a formula, a program, where we all, right across Canada, agree what the rules are. The federal government pays 60% of the cost; the provincial government pays 40%. That doesn't change, depending on how much money—we pay that. That's something that we requisition every year. We are not able to accurately say, "This is how much we will need for CAIS payments or for production insurance."

**Mr. Ted Arnott:** I appreciate that explanation.

You indicated that the recommendation of the Auditor General is that the ministry employ collection agencies to attempt to recover these overpayments, and that one of the interest groups is suggesting that that shouldn't be done. Has there been any effort on the part of AgriCorp or the government, short of approaching a collection agency, to attempt to recover these overpayments?

**Hon. Leona Dombrowsky:** Yes, and I'm going to ask, Deputy, if you would respond to that please.

**Dr. Bruce Archibald:** Certainly. The ministry employs a number of different approaches to try to deal with overpayments. The general policy is that in future programs that individual could be eligible. If there is a payment triggered, we look to recover any overpayment at that time. There are times, under extenuating circumstances or extreme sorts of conditions, such as we had last year when we did the one-time cattle, hog and horticulture payment, when the industry asked the minister to waive that policy because of the extreme situation facing many cattle and hog payments, which is the minister's prerogative, and she chose to do that. So it isn't all the time and all programs, but as a general policy we try to collect payments from people when there are future payments that are eligible.

We've had a number of discussions with various farm organizations to try to do this in the most fair way to individuals, not trying to be aggressive in terms of our collection policies, but also recognizing that there is a legitimate overpayment due to the province, and at appropriate times, when we can start to recover that, we do. So we have recovered a number of overpayments using those kinds of programs, and that's the general approach. But there are options that the minister can use to make exemptions on those.

**Mr. Ted Arnott:** Are you in a position to inform this committee of the size of the largest overpayment that was established and, in turn, recovered? Again, I've heard rumours that we're talking six or seven figures and I've heard rumours that some of these overpayments have not been recovered.

**Dr. Bruce Archibald:** I can't provide you that at this time, but we can certainly, through the clerk, provide you the information in terms of what the level of overpayment has been and where we are in terms of recoveries to date. We will do this in a way that is aggregated data, because obviously we need to protect personal financial information and privacy, but we can get—

**Mr. Ted Arnott:** That's why I asked if you're in a position. Again, I characterize them as rumours, but I'm telling you straight goods. I've had constituents in my office who've told me that this is taking place and I wanted to bring it to your attention. I'm well aware the staff at AgriCorp are working, in many cases, long days into the evenings, weekends, when there's a backlog, to deal with these kinds of applications, and the hard work that is being done there in order to fulfill their mandate and to serve the farm families and to support the farm families who are in need. Again, I think their efforts need to be acknowledged. I am informed that the computer system they use is antiquated and I'm wondering if you would agree with that statement and if you could advise the committee of whatever steps are being taken to modernize the computer system so as to provide better client service to those applicants who are using AgriCorp's service.

**The Chair (Mr. Tim Hudak):** That question does conclude Mr. Arnott's time. Is it possible for you to give a brief answer to that question? Or we could come back to you, Minister, in your summation.

**Hon. Leona Dombrowsky:** Can we come back to it?

**The Chair (Mr. Tim Hudak):** Your preference. Is it a brief answer or is it a longer answer?

**Hon. Leona Dombrowsky:** I'll make it brief. I'm glad that he recognized the good work of folks there. They do work very hard. I'm going to ask the deputy to address the IT system.

**Dr. Bruce Archibald:** AgriCorp does have an IT system; Zephyr is the name of it. It has grown as the programs have grown over the years. It is an area where we're working very aggressively with AgriCorp and with the government's IT cluster to find ways to strengthen the performance of that system. We're also looking at upgrading as well.

**The Chair (Mr. Tim Hudak):** Terrific. Thank you, Mr. Arnott. That's your 30-minute segment. We now proceed to the third party. M. Bisson, you have 30 minutes.

**Mr. Gilles Bisson:** Welcome, Minister, to our committee; always good to have you here. You said earlier on—I just want to make sure that I've got the quote right, here—that agriculture is the sector that built this province. I guess my question is, can you tell me how many new farms have been created in the last four years?

**Hon. Leona Dombrowsky:** Is there anyone here who can tell us that?

**Interjection:** Not off the top.

**Mr. Gilles Bisson:** Can you guess how many new farms—

**Hon. Leona Dombrowsky:** What I can say to the member is that we will attempt to get that information for him.

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**The Chair (Mr. Tim Hudak):** Terrific.

**Mr. Gilles Bisson:** I find it somewhat odd, if it's such an important sector, that the minister wouldn't know how

many new farms, in a ballpark figure, have been started in the last four years. Do you have a ballpark figure?

**Hon. Leona Dombrowsky:** I just want to be accurate. I'll be happy to provide that.

**Mr. Gilles Bisson:** Okay, so if you could provide that.

I'd just be interested to know: Can you tell me what kind of new investment, above what we've seen over the last four years, is new as far as money levered from the farm sector itself? I'm not talking about government money but new investments on the part of the farm sector itself in the Ontario economy over the last, let's say, four years. Can you provide us that?

**Hon. Leona Dombrowsky:** That would be an exhaustive list.

**Mr. Gilles Bisson:** Just to be clear—just so we don't end up asking for more than we're asking—we know that every year the farming community spends X amount of dollars outside of government dollars—their own money—in running their farms and making the key investments necessary to run their farms. What I'm looking for is new investments above and beyond what is normally done. Are you able to track how much new investment has come into Ontario on the part of investments directly by Ontario farmers or people associated with the farm industry in Ontario over the last four years, year over year?

**Hon. Leona Dombrowsky:** I'm looking to my staff because I don't know that I'm quite clear on it yet. Are you looking at—

**Mr. Gilles Bisson:** To be clear, I agree with you. The farming community and the—excuse me, you were saying? Or are you just coughing? I didn't quite—

**Hon. Leona Dombrowsky:** I'm just clearing my throat.

**Mr. Gilles Bisson:** Okay, sorry. I agree with you and your opening statement, and again I want to get it right because agriculture is the sector that built this province. And I agree with you. Specifically, what I'm looking for is that you know and I know and other Ontarians know that every year the farm community spends dollars in order to invest in their own farms—either by way of machinery or whatever investments are needed to run their particular farms. I imagine your ministry tracks that in some way, that we know year over year how much has been spent in, let's say, 2004, 2005, 2006 etc. So is there a way of being able to provide this committee with how much money has been invested year over year by the private sector in the farm agribusiness, let's say, for the last four years?

**Hon. Leona Dombrowsky:** I have some information here. I don't know that it answers your question directly. I think it's a good question. I can share with you, for example, that Ferrero Canada has come to Ontario. They've invested \$200 million in a new facility because of the raw materials they use to produce their chocolate products and other products—they produce Tic-Tacs too—that they can source right here in Ontario. Is that the kind of investment that you're looking for?

**Mr. Gilles Bisson:** What I'm looking for is that we know that the farm community invests their own money in their operating farms so much per year. We must be able to track that in some way. Then there are the businesses associated with the farms, those that produce the goods that come from the farms into the different products that are in the food chain. I'm wondering if you're able to provide this committee with how much money we know is being invested by the farmers themselves, and the supportive businesses, year over year over the last four years. I'm just interested to see to what degree that type of investment is happening.

**Hon. Leona Dombrowsky:** It was a late night, Mr. Chair, I confess, so—

**Mr. Gilles Bisson:** For all of us, sister. In fact, some of us celebrated more than others.

**Hon. Leona Dombrowsky:** I'm not trying to be difficult here, and I really do want to answer the member's question. We talked about Ferrero. They have invested \$220 million to build a new plant. Tim Hortons is investing \$125 million in Guelph. Kellogg invested \$97 million in the Quinte region. Royal Canin built a new \$73-million pet nutrition manufacturing plant that brought 190 full-time jobs to Wellington county. Further investment in an expansion of \$20 million is expected, actually, next year.

**Mr. Gilles Bisson:** That's part of the answer. It sounds like you're tracking some of these investments. I'm looking at specifically two types of investment: how much the farm community itself, the person who operates the farm, is spending in Ontario, basically overall year per year for the last four years; and then, on top of that, those people who are basically in the business of supplying services or adding value to the goods that they produce.

**Hon. Leona Dombrowsky:** Can I ask: Is it sort of like a question that for every dollar a farmer spends, it generates seven dollars in the community?

**Mr. Gilles Bisson:** No; I'm trying to get a sense of the health of the farm community. I'm just anecdotally looking at what farmers are having to deal with day per day. It's becoming more and more difficult for them to keep on the family farm. So I'm trying to get a sense, for this committee: How much money is being spent by the farm community, the farmers themselves, people who own and operate their own farms, year per year? We must have a way of being able to track that.

**The Chair (Mr. Tim Hudak):** There's some information that a minister will have at hand and there's some information that the minister may not track directly.

**Hon. Leona Dombrowsky:** We will read Hansard very carefully and we will do our best to get the member the information that he's looking for.

**The Chair (Mr. Tim Hudak):** I think there should be some sort of—if there's not an exact figure, an estimate would be helpful.

**Mr. Gilles Bisson:** No, that's fine.

Would you say that the farm community today is stronger than it was, let's say, 20 years ago and this is a pox on all our houses?



**Hon. Leona Dombrowsky:** I'm glad you asked the question because I think that there are sectors in the industry that are stronger today than they were 20 years ago. I'll even go back 40 years, when I grew up on a farm, and—

**Mr. Gilles Bisson:** We're not that old, Minister, neither one of us.

**Hon. Leona Dombrowsky:** I do think that there are sectors that are. I'll just take the organic sector as an example. It is one part of the industry that is growing by double digits year over year. There's no question that there are other sectors that, in one year they can be doing very well and another year it can—because they are the subject of the markets. I've said on many occasions that the agriculture industry is, in my view, the only industry that's the subject of two climates: the economic climate and the natural climate. The economy can be good, but if the weather's been bad and they don't have the yields, they suffer. If they have a bumper crop but the markets are really bad, they still suffer. When you talk over the last 20 years, I think that some years, some sectors have done well and other years the same sectors have not done well for very different reasons.

**Mr. Gilles Bisson:** But for the average farmer, for the average person who—he and she—is individually running their own family farm, would you say they're having a better time than they did 20 years ago, economically, on average, or they're having a worse time?

**Hon. Leona Dombrowsky:** Again, when you say “the average farmer,” I would say that the average farmer in supply management is doing better, which is why we were absolutely committed to fighting for supply management at the World Trade Organization talks.

**Mr. Gilles Bisson:** If I were to parade 10 farmers at random into this committee and ask them how they're doing as of 20 years ago, do you think they'd echo the same comment you just made?

**Hon. Leona Dombrowsky:** I think some would, yes.

**Mr. Gilles Bisson:** Maybe if you pick them. I only make the comment because what got me going at the beginning of the comment—I understand that your job as minister is to be the promoter of this industry, and for that I commend you; that's not the argument. But I've been here a member for 18 or 19 years now, and I've been, like you, around this province for a few years. I get the real sense, talking to farmers, that they're struggling. A lot of them are trying to keep the farm afloat. The family farm is becoming more and more under siege, because of, yes, market conditions, in large part, but also because of some Ontario situations as well. What you're seeing is a stronger agribusiness that's moving in and taking over what used to be the family farm. That's why I'm asking the question.

I agree with you that this Legislature 50 years ago, by and large, was made up of rural members who came from the family farm, and basically that was a large part of what this whole economy was about. I ask the question again: Do you think that the average family farm is in better shape today than it was 20 years ago? I ask you the question again directly.

**Hon. Leona Dombrowsky:** I will give you the very same answer: In some sectors, the answer will be yes.

**Mr. Gilles Bisson:** All right, and one of these days we'll have the opportunity of parading 10 family farms here at random, and I think they would disagree with you. Anyway, I won't belabour the point. Let's not look at this through rose-coloured glasses. I understand that there's lots to be proud of in Ontario. I understand that there are lots of successes that we can point to, both people operating the family farm and the agribusiness in government. But let's not kid ourselves: People are struggling in this industry. I think that we don't do them any service by trying to paint a picture that's far more positive than what it actually is. If you want to comment on that, I'll go to my next question.

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**Hon. Leona Dombrowsky:** I would like to comment on that. There's no question that our government recognizes that there are challenges in the agriculture sector. That is why over the last four to five years we have invested over \$1.2 billion to support farmers. We value the sector, we value the work that they do, and I think it's fair to say that when their representatives come to us to say, “We want to continue to build this industry; these are the kinds of investments that we need to make,” we have been there.

With respect to the challenges in various sectors—you know, I live among farmers, my kids work with farmers. I talk with them on a regular basis. We were at the plowing match and I had an opportunity—I don't know if you made it to the plowing match—to speak with farmers from right across the province, so we did gain an appreciation for some of the challenges that are out there. But I would also say of this sector and of farmers, the ones that I talked to, it can be tough, but they are proud of what they do, they are proud of what they produce here in the province, they are proud of the fact that we have the safest and best quality food of anywhere in the world, and what they look for from their government is a partner to help them and to ensure that they can continue to do that.

**Mr. Gilles Bisson:** Listen, I don't want to be sounding as if I think everything is bad in the farm business, because there are some good stories out there to be told. But I think what farmers want is a bit of straight talk from us, the politicians. The first part to fixing the problem is admitting that we've got one. Quite frankly, there are a lot of family farms in your area of the province, as there are in my area of the province, that are struggling. The family farm as we knew it, 20, 30, or 40 years ago, is in nowhere near the type of shape that it was back then. Yes, because of changing markets, and yes, because we've decided to make our food safety system safer, which padded the cost to the producer etc. But I just think sometimes that we try very hard to make ourselves look good, and we forget at the end of the day that all the farmer is looking for is a bit of straight talk and a little bit of help. So let's just move on to the things that we need to do.

You led off by having a chat about—and you mentioned it just now in regards to the work that farmers do in order to make sure that they're producing and distributing the safest possible goods. Of course, we as a society, this Legislature and the government of Canada have said, "We need to put in place regulation and laws that ensure that there is a quality to the food that is produced so that the consumer is not at risk." I don't think there's anybody in this Legislature and nobody in the House of Commons who's going to disagree with that basic premise. The difficulty for the farmer is how to pay for it. They agree with you and they agree with me that we want to have safer food products, but they're somewhat frustrated by the inability to be able to pay, in some cases, for the steps that they've got to take to get to that goal that we've set out.

I guess my question is the following—and this, again, is just an observation on my part: What kind of efforts do we really put in in this Legislature or in the government of Canada? When we do put in place a new regulation or a new law that means the farmer has to change the way they do business, what kind of steps are we really taking in order to say: "All right, how's this going to play out on the bottom line to the farmer?" What can we do to help them get there so that they're not in a position of having to say at the end of the day, "Well, family farm, no longer a dream. We need to shut it down."

**Hon. Leona Dombrowsky:** They're directing me to my book, but I think I know what I want to say here.

**Mr. Gilles Bisson:** It's always better, Minister, to listen to your gut. You understand this.

**Hon. Leona Dombrowsky:** Well, through you, Mr. Chair, to the honourable member, he raises a very important point. When we first came to government, I would say that the one piece of legislation that I heard about most in my riding from farmers was the Nutrient Management Act. I think the real sore point with that was that the law was passed and the regulations came into place, but there was no money to help them. So that's why we did put out some—

**Dr. Bruce Archibald:** It was \$23.7 million.

**Hon. Leona Dombrowsky:** —\$23.7 million. And did we not top that up when it was oversubscribed by a couple of million? Anyway, we'll get that to you. So that's one example. I think we all agree that the Nutrient Management Act was the right thing to do, but as the honourable member has indicated, it did put some significant pressure on those operations that were then required to comply.

I will offer as an example one that my ministry has dealt with particularly—the Food Safety and Quality Act. We knew that that was going to add to the cost of processing meat products in Ontario. If people have to pay more to get their meat processed, that goes right back to the producer. That is why we implemented, I believe it's \$26.5 million, for the program that—I don't think that's the one I want. I just want to make sure I get the number right for the—\$25 million. This was to assist meat plant operators to meet the new requirements so they wouldn't

have to pass on the additional costs of making their facilities food-safe to the users of the facilities—the farmers.

Another example I would offer has been with the Clean Water Act. Within the Clean Water Act, there has been a component for stewardship. We have committees now across the province that are considering if there are threats. There are people on those committees from the agriculture community to ensure that if there is a circumstance where a farmer is regulated in a way that removes some of his land from production, and he would be required to do something to protect the water source, there would be some resources made available for that.

Another example would be, again, with the species at risk—

**Mr. Gilles Bisson:** I'm getting a longer answer than my question.

**The Chair (Mr. Tim Hudak):** Are you satisfied with the answer?

**Mr. Gilles Bisson:** I was trying to get somewhere, and it's good stickhandling on this side.

**The Chair (Mr. Tim Hudak):** Would you like the minister to complete her answer?

**Mr. Gilles Bisson:** Yes, I'm finished. I was getting somewhere, but—

**Hon. Leona Dombrowsky:** I thought it was a good question—

**Mr. Gilles Bisson:** It is, but—

**Hon. Leona Dombrowsky:** —and I thought it was important that people understand that we do recognize—because you did ask—that there are costs associated with regulations, and I'm just providing some examples of how we would hope to mitigate some of those costs for industry partners.

**Mr. Gilles Bisson:** It seems to me that we're doing it only after—it's almost like the cart before the horse. Pardon the pun. Often, we as legislators here—and this is a pox on all our houses; it's not just you as the minister. It has been done by other governments, and it has been done by all members of this assembly and the House of Commons as well—good intentions of making sure that we pass some law or regulation that basically makes our food production system safer. God, it looks good to get your name on a bill as a minister or a private member, whatever it might be. You've gone out and done something for your citizens and humanity. But we don't have a process here to figure out what this means at the end to the average farmer.

The point I'm getting at is that it seems to me we need to have a bit of straight talk with the farm community, less gobbledegook from our end, less political spin as they would term it out in the media world, and say, "Listen, here's where we want to go. Do you agree with us that this is a good step?" I think most times farmers would say yes because they're responsible business operators.

The question becomes, "All right. How are we going to get there? Is it a question that we can do it in one year, because you may have to raise, as an individual farmer, hundreds of thousands of dollars to get to the goal we've



set?" The farmer, he or she, may say, "Yes, this is a great idea, but I can't raise that money in a year. I may need two years to get there. I may need three years to get there. Maybe I'm never going to get there, and I need the government, if it's going to put this regulation or law in place, to assist me with the investment." I know we're doing some of that, and you listed some of the things we've done, and I think those are positive things.

My only point is that the farm community is under tremendous stress financially because of what's going on in the world economy and, as you said, what's happening with our climate and generally within the business. As we add on to that more requirements on the part of the farm community to meet points of law and a regulatory framework, we need to figure out how this is all going to work. You've seen it, because you've been around here for a while. We passed, for example, as you said, the Nutrient Management Act. Nobody thought about what this is going to mean to the farmer at the end of the day, and it was left to other governments after that to figure out how we undo this mess. We want to get to the goal, but the farm community can't afford it.

All I'm saying is, as a minister, as a government—and we as legislators—what are you prepared to recommend that basically says we need some sort of checks and balances system so that, if we set in place a direction and a goal, we in fact have a mechanism to get people there and it's not going to put them out of business?

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**Hon. Leona Dombrowsky:** I'd like to attempt a response there: a very, very valid issue. I believe that, as I indicated in my remarks, the examples that demonstrate—we have recognized that legislation—

**Mr. Gilles Bisson:** But do you think we're doing enough? That's my question.

**Hon. Leona Dombrowsky:** —and regulation—

**Mr. Gilles Bisson:** Do you think we're doing enough?

**Hon. Leona Dombrowsky:** —actually—

**Mr. Gilles Bisson:** I'm prepared to say not, and I take my responsibility for that.

**Hon. Leona Dombrowsky:** If I may, Mr. Chair—I respect that that's your opinion. It's not my job to ask questions here, of course, but my response is that if you say not, then based on what? And I'm going to ask, have you heard from farmers who say they didn't get enough from the nutrient management plan program that they were required to—

**Mr. Gilles Bisson:** I can give you a list.

**Hon. Leona Dombrowsky:** Well, have you heard from farmers who would say that land has been taken out of production as a result of the Clean Water Act, and they have not been compensated? Have you heard from farmers who would say that the species-at-risk legislation and regulations have impacted them in a way that has affected their bottom line? Until I hear those things, it's very difficult to make an assessment: Is it enough? There is an amount of money set aside. It is based on the input we received from the stakeholders when these bills were taken to committee, taken on the road. We listened very

carefully, and as a result of their good input we have stewardship programs in place attached to those two pieces of legislation.

**Mr. Gilles Bisson:** Sorry, I don't agree with your assessment on that. I first of all want to give credit where credit is due. This government, as other governments, has tried to mitigate the financial effect on farmers when it comes to new initiatives, and you raised some of those new ones around the species-at-risk legislation, nutrient management and others. All I'm saying is that we're doing it after the barn door is open and the horse has bolted, kind of.

You're saying the responsibility is that of the farm community to come before committees when we propose legislation. Too often, they're far too busy working to even know what's going on. All I'm suggesting is that at the very beginning of the process—and this is not just to blame; this is not saying it's just your government that created this problem. I'm saying it's a pox on all our houses. We need to be much more conscious, when drafting regulation and law, that we figure out how we're going to make this happen so that at the end of the day we are supporting the family farm, to get to the goals that we put together. And maybe we as legislators don't have it right sometimes. That's all I'm suggesting.

I want to go on to my next question, because you've kind of answered what I wanted to say. I was listening intently to the discussion you were having with Mr. Arnott, the member from Halton Hills. He raised the issue, and I think it's a very important issue, of the buy local, Buy Ontario initiative by your ministry. I think we all agree that nobody in this Legislature disagrees that we need to do all we can to be able to become as self-sufficient as we can about buying our own products. That means we need to market those, we need to promote them and we need to have programs in order to make all that happen.

With that in mind, I was just listening to the Minister of International Trade, Madame Papatello, in the House on the motion that was in the House. She was making an argument that's not necessarily tied directly to farm products, as far as what we eat. She made the argument that when we propose from our side of the House that we need to have a Buy Ontario policy, that's not doable; that's not something that's good, because Ontario has to trade with other trading partners. In fact, it would be a hindrance to the Ontario economy if we were to have a Buy Ontario policy. So if the Minister of International Trade is saying the Buy Ontario policy is not a good idea, how do you square that up? How do you feel about that?

**Hon. Leona Dombrowsky:** I will never, ever apologize for being a cheerleader for Ontario agriculture products.

**Mr. Gilles Bisson:** What about your ministers?

**Hon. Leona Dombrowsky:** We know we have the safest and the best. I think when we talk to our farmers, we hear from them that—and we just left the topic of the regulatory requirements that we have in place. We have set the bar very high for our producers and they're meet-

ing it, and as a result of that we have the safest food. Our government has a focus in terms of building healthier, stronger Ontarians. That's why we have the Smoke-Free Ontario Act. That's we have banned trans fats in schools and junk food and we require exercise.

Encouraging Ontarians to consider purchasing the safest, best-quality food is also a part of that strategy—

**Mr. Gilles Bisson:** Sorry, I'm running out of time and you're not answering my question. My specific question is—

**Hon. Leona Dombrowsky:** With respect, Mr. Chair, I don't tell him how to ask the question. I'm—

**Mr. Gilles Bisson:** But I asked the question—

**Hon. Leona Dombrowsky:** I'm offering my response; you've asked me, "How does that square?" What I am saying is—

**Mr. Gilles Bisson:** Minister, with all due respect, this is my 30 minutes and I'm asking—

**The Chair (Mr. Tim Hudak):** Folks, I'll chair the committee.

**Mr. Gilles Bisson:** Thank you.

**The Chair (Mr. Tim Hudak):** This is the members' time, and if the members aren't satisfied with the answer from a minister, then I do let them ask—

**Mr. Gilles Bisson:** So how much time do I have? Because I have one other question.

**The Chair (Mr. Tim Hudak):** Three minutes.

**Mr. Gilles Bisson:** Three minutes? I'll come back to this point later. I appreciate what you're trying to say, but I think it doesn't square well with what your Minister of International Trade is saying.

Here's my question: Does the ministry keep records about how many family farms are in production in Ontario year by year? Is that kept in any kind of way?

**Hon. Leona Dombrowsky:** We would have records in terms of how many farms we have—

**Mr. Gilles Bisson:** Can you please provide this committee with the stats? Probably going back about five or 10 years, I would think, would give us a good picture. Let's say 10—

**The Chair (Mr. Tim Hudak):** The last 10 years—

**Mr. Gilles Bisson:** Yes, how many farms in production, per year, over the last 10 years. Thank you.

Those are all my questions. I'll now let you have the rest of my time—

**The Chair (Mr. Tim Hudak):** Thank you very much for your time.

**Mr. Gilles Bisson:** —and you can wax eloquent about the great job you're doing, I'm sure.

**Hon. Leona Dombrowsky:** I'd be happy to.

**The Chair (Mr. Tim Hudak):** Minister, this is your time for summation and to respond to issues that the members have brought forward. You do have 30 minutes to respond. It's 26 minutes before 6 o'clock, so if you use the full four minutes, we might squeak past 6 a little bit.

**Hon. Leona Dombrowsky:** Thank you very much, Mr. Chair. I want to thank the members today for their interest and attention and very good questions.

There were some points that I did not have time to make in my opening remarks, and I was hoping that I could pick up a little bit of that. You might, Mr. Chair, be particularly interested, because I want to talk about industry renewal in the Niagara region, and I know that's a region that's very important to you.

We're all concerned over the particularly difficult economic challenges that this region has faced as a result of the high Canadian dollar, and we were all very disappointed to hear of CanGro's closure and, more recently, of the nearly century-old John Deere Welland Works that has moved to Mexico. We recognize that plant closures and downsizing can have significant impacts on our agri-food sector and our rural economies.

The Niagara region is such an important part of Ontario's agri-food industry. Niagara's greenhouse industry alone burgeons with 14 million square feet under glass and is the largest horticulture sector in Canada.

There's a wonderful history of agriculture here. It is blessed with an ideal growing climate, rich soil, an excellent calibre of growers and its natural tourism draw. I know none of this is a surprise to you, Mr. Chair. This region is already known for its diversity and innovation.

The McGuinty government believes in the future of Niagara, and that is why, in March of 2007, we provided \$12.5 million to support the Vineland Research and Innovation Centre, with another \$12.5 million announced in this year's annual budget. I know that's a facility that's particularly important to you. We believe, with this investment, that we are helping to create a world-class hub for horticulture science and innovation in Ontario, right in the heart of Niagara.

Our government has also made significant investments in the wine industry. For example, we are providing \$10 million over five years to promote Ontario's wines and encourage wine tourism.

We worked closely with the federal government to acquire up to \$22.3 million for the Canada-Ontario orchards and vineyards transition program. These funds complement investments that Ontario has made, such as the \$3.8 million we announced in June for the Ontario juice grape pullout. I think that it's an important example of where we do work co-operatively with our federal partner to ensure that there are appropriate investments made to support the agriculture industry in Ontario and certainly in the Niagara region.

I am confident that the Niagara region will continue to grow and show outstanding leadership as one of Canada's most dynamic and productive agri-tourism and agri-food centres.

Our government has invested more than \$55 million in program payments to the Niagara region, and we are invested in its current and future prosperity.

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Our government continues to make significant investments in rural communities right across the province. OMAFRA and many of her sister ministries provide support to rural Ontario through initiatives such as the \$80-million Eastern Ontario development fund and \$40



million for the Rural Connections broadband program. We've invested \$3 million in funding to assist Ontario's food and beverage processing sector to adopt innovative technologies and boost their energy efficiency. This will help processors reduce costs and increase their competitiveness.

We've dedicated significant resources to attract new investment in Ontario's food processing, bioproducts and rural manufacturing sectors. Last year, the ministry assisted in attracting a total of \$303 million in new investment in the food processing sector, resulting in the creation or retention of 4,545 jobs.

I don't know if that goes at all to the question that Mr. Bisson asked?

*Interjection.*

**Hon. Leona Dombrowsky:** Good.

Including rural manufacturing and bioproduct sectors, \$466.6 million has been invested in new investment and has created 6,372 jobs.

I'm going to speak a bit about broadband, because I know for many of our rural members that's an important issue. As key ministry partners, OMAFRA, the Ministry of Small Business and Consumer Services and the Ministry of Government Services have laid the foundation to enable Ontario to increase the availability of affordable, high-speed broadband technologies to rural and remote areas of the province. Building on investments made in 2007-08, OMAFRA is providing \$30 million over four years to the broadband initiative as part of a provincial digital strategy. This investment leverages the existing \$10-million Rural Connections program that has already successfully initiated 18 municipally led projects across rural southern Ontario.

We recognize that expanding broadband coverage will give individuals and communities more opportunities to fully participate in the knowledge economy. Whether it is the rural entrepreneur trying to expand her business, the farmer looking to download information or grow his market, or the rural library, teacher or student who relies on broadband for their research and education, they all deserve to have the same level and capacity of broadband service as the urban areas enjoy. In this day and age, we need to open all the information portals that we can to help our rural communities compete on a level playing field and thereby prosper.

I'm going to talk a bit about infrastructure. We hear a lot about infrastructure—very, very important right across this great province. But as it pertains to rural Ontario, we continue to strengthen infrastructure under the Canada-Ontario municipal rural infrastructure fund, and that's commonly known as COMRIF. The government of Ontario has committed up to \$298 million to invest in this project. This has supported some 280 infrastructure projects. On top of that, our government recently signed on to the new national Building Canada framework agreement. This \$6.2-billion long-term plan will help address infrastructure needs and priorities in the province of Ontario up to 2014. Under the communities component, Canada and Ontario will both contribute

\$362 million toward smaller projects in communities with populations less than 100,000.

The rural economic development program is something that is particular—the McGuinty government recognizes the importance of increasing economic activity in communities that lie beyond large urban centres. Our rural economic development program has a history of successful investments that have helped rural communities across the province overcome barriers to economic development. In 2008-09, OMAFRA will invest \$19.9 million in RED. This investment is consistent with the government's priority relating to jobs and prosperity. Since October 2003, the RED program has invested \$60.3 million in 185 rural communities to support economic development projects. This has resulted in \$566 million in new economic activity in rural Ontario. We have also helped more than 23,000 young people gain skills and valuable work experience through our investment of more than \$17 million in the rural summer jobs program.

My ministry's staff provides front-line support on a variety of strong programs that are helping rural communities make self-improvements. These include—and I know many members would have had occasion to participate in what we call a BR&E—business retention and expansion projects. This is an internationally recognized tool for retaining and growing businesses in the community. More than 140 projects in 90 communities have been undertaken since 2005. The community economic analysis uses data, reports and web-based analysis tools to evaluate local strengths and weaknesses in support of economic planning. More than 2,500 economic development practitioners have used this site in the last year.

Another important program—the First Impressions Community Exchange—is a secret-shopper approach between matched communities. Visiting teams from each community conduct structured visits and report back to each other about their findings and recommendations. Our staff has helped to facilitate participation by more than 150 communities since 2005. This program was recognized with a public service quality award for innovation in public service. I know that I speak on behalf of members here in congratulating members of the public service for their good work in this regard.

Working with farmers: The McGuinty government has worked hard to improve the quality of life in rural communities, to build good relationships with Ontario farmers and to provide new opportunities for them. Just last month, the Premier and I attended with leaders from our agri-food industry at the International Plowing Match in Teeswater. It was a great day. I love the International Plowing Match because it showcases the contributions that our rural communities and farm families make to our society. It reminds us that our farmers grow the food that feeds us and sustains us. What a great responsibility they have taken on, and what a great honour we owe them.

Ontario's farmers have helped build a world-class agri-food sector in this province. By recognizing their hard work and investing in their innovative ideas, we can

help farmers pursue new markets, attract investment and strengthen our rural communities. We continue to nurture innovation on the farm with the Premier's Award for Agri-Food Innovation Excellence. This is a very important program. Since its launch in 2006, this program has attracted more than 350 applications highlighting on-farm innovations. They have ranged from biogas systems to cutting-edge, freeze-dry technology, from specially adapted high tunnels to innovations for the honeybee industry.

You can read about the 55 innovations we recognized earlier this year in the information package that I sent you recently. Last month, we announced that applications are being accepted for the third year of this program, and I do encourage all members of the Legislature to spread the word about this very positive program for your rural constituents. And I would remind the members here that there is a significant cash incentive to promoting the Premier's Award for Agri-Food Innovation Excellence. Each recipient of a regional award—and there are 55—will receive \$5,000 each year. The Premier's award brings with it a \$100,000 cash award, and the minister's award is \$50,000. This is each year for those applicants.

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This is a \$2.5-million commitment of our government over the next five years. I'm very happy to say that for those people who have been recognized—and this is not necessarily large or expensive on-farm innovation, but it certainly makes our industry partners feel very special, that what they have done is showcased in this way, and it provides a tremendous opportunity for other farmers to look at, in some cases, very inexpensive, innovative ideas that can assist them in their operation as well.

So this is a very successful program. It has been very well received within the sector. We do encourage all members to get the word out, get the information out about the Premier's award.

I want to speak as well about Growing Forward. This is something I'm sure you've read about and that you will hear about from your constituents, those of you who are in rural ridings. This July, I had the opportunity to attend the federal-provincial-territorial agriculture ministers' meeting in Quebec City, where we reached an important milestone by completing the new national agreement. You will remember that, in 2003, the agriculture policy framework was signed by the previous government. You would have heard it referred to as the APF, and out of the APF came CAIS—and I know we've all heard of CAIS. That agreement expired this year, and so Ministers of Agriculture from across Canada, along with our federal colleague, worked to put together the second iteration of the APF. It is called Growing Forward.

Growing Forward is, in my view, a new and improved version of the APF. It is designed to do some specific things. It is designed to give farmers and food processors the opportunity to capture business success, both domestically and in export markets. It also includes programs that will help the agri-food sector adapt and

respond more quickly and effectively to changing consumer markets.

Growing Forward is also committed to reducing the government's regulatory burden and giving entrepreneurs better tools for their business planning. So to the question that I received earlier around regulatory burden: It is on the radar, and I did very much appreciate the member identifying it as an important issue.

It is also intended to focus on supporting enhanced food safety systems and continued implementation of on-farm environmental actions. It is also designed to commit provinces to work with the sector to put traceability and biosecurity systems in place.

That is a very ambitious set of goals, but I am confident that we will get there. I'm confident because of the conversations I have had with our industry partners when they have very clearly indicated that they want to move in this direction, and they are looking for some support and a partner to get them there. We look forward to ironing out the details of the new framework with the new federal government.

At this time, Mr. Chair, I think I have covered most of my notes. I would also like to say that over the course of the last year and a half, this government—and I personally have had the privilege and honour of representing the province of Ontario and this great industry at the World Trade Organization talks. I was in Hong Kong and, on two occasions, in Geneva. I was able to carry the message from the Legislative Assembly, because all members in this assembly voted unanimously to support a resolution in support of supply management. So I had the honour, the privilege and the duty to carry that message to the negotiating table and make Ontario's position very clear on behalf of all of the members of the assembly and their very strong support for supply management.

I think everyone at this table knows that the WTO talks did not end with an agreement. That certainly is unfortunate. It has been our position in Ontario, however, that we were looking for an ambitious resolution. We certainly wanted better market access for our non-supply-managed sectors. We wanted to address the issue of trade-distorting subsidies, but we certainly were of the mind that it should not happen at the expense of supply management.

I think it's very important that I state that for the record. I want to thank all members of the assembly for their support of the supply-managed sector. I was asked earlier today about those sectors that are doing well. We certainly have a strong and vibrant supply management sector in the agriculture industry in the province of Ontario. We continue to be committed to that, as well as the other sectors in doing all that we can to ensure that they will continue to thrive.

Those would conclude my remarks today, Mr. Chair.

**The Chair (Mr. Tim Hudak):** You do have 10 minutes left, Minister, but if you're finished, we will finish the hearings for today and then come back next week.



Minister, thank you very much. Deputy and all the staff from the Ministry of Agriculture, Food and Rural Affairs, thank you very much for being here this afternoon.

As a reminder, folks, we will next convene on Tuesday, October 22. With the new rules for House proceedings, that means we'll meet at 9 a.m. until 10:25 a.m. and then reconvene between 4 and 6 p.m.

Folks, thanks very much. You have—  
*Interjection.*

**The Chair (Mr. Tim Hudak):** The 21st, sorry. That's right. Today is Wednesday the 15th. Tuesday the 21st—thank you to my very capable clerk for catching that.

Folks, thanks very much. Have a good evening. The committee is now adjourned.

*The committee adjourned at 1755.*

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## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 21 October 2008

# Journal des débats (Hansard)

Mardi 21 octobre 2008

## Standing Committee on Estimates

Ministry of Agriculture,  
Food and Rural Affairs

## Comité permanent des budgets des dépenses

Ministère de l'Agriculture,  
de l'Alimentation et  
des Affaires rurales



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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

Tuesday 21 October 2008

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Mardi 21 octobre 2008

*The committee met at 0900 in room 151.*MINISTRY OF AGRICULTURE,  
FOOD AND RURAL AFFAIRS

**The Vice-Chair (Mr. Garfield Dunlop):** I'll call the meeting to order. I'd like to welcome Minister Dombrowsky and all the staff here from the Ministry of Agriculture, Food and Rural Affairs to the Standing Committee on Estimates. We're here to resume the consideration of the estimates for the ministry. There's a total of five hours and 42 minutes remaining.

When the committee was adjourned, the minister had concluded her reply to the comments of the opposition parties. I will now apportion the remaining time among the three parties in 20-minute rotations. It is now the turn of the official opposition, followed by the third party and the government. Mr. Hardeman, you now have 20 minutes to begin.

**Mr. Ernie Hardeman:** Good morning, Madam Minister. I apologize, first of all, for not being able to be here at the original starting of the estimates process for agriculture and food, but I did have to be elsewhere. I did read the Hansard to make sure that I hadn't missed—or that I would be aware of everything that had been said, shall we say. I do have some questions on that, but we'll get to that later. I mention that only because I wanted to thank my colleague Ted Arnott from the riding of Wellington-Halton Hills for his job well done. I also wanted to reiterate his comments about the staff in the ministry and working hard on behalf of all the farmers in the agriculture and food industry in the province. I want to echo that because I too believe that that's the case. We have good folks working hard to look after the interests of our agriculture community.

My discussion this morning starts with the Ontario cattle, hog and horticulture program, and I'm sure that's no surprise to you, Madam Minister. I've had some concerns with how that program, though it was very much needed—it was needed, as you've mentioned a number of times, in a hurry. But I don't believe that it meets the goal of helping all the farmers who were mentioned in the budget speech by the Minister of Finance when he introduced the program. I think there's quite a group of farmers who were totally missed in that, and I don't believe that, as time goes by, that gets any less damaging to those farmers.

I just wanted to touch on that program for a while. First of all, as I was looking through the public accounts, there was \$140,178,615 spent on that program. The Minister of Finance, as we're all aware, announced \$150 million of spending for that program. Approximately \$10 million is not there, and I wondered if it has not been spent or if in fact it's in a different part of the public accounts.

**Hon. Leona Dombrowsky:** If I could just ask the—

**The Vice-Chair (Mr. Garfield Dunlop):** Minister, can I just ask you one quick question before you proceed? For the sake of Hansard, could you reintroduce the people at the table with you, please?

**Hon. Leona Dombrowsky:** I would be very happy to do that, Mr. Chair. I have with me today the Deputy Minister of Agriculture, Food and Rural Affairs, Dr. Bruce Archibald. Sitting beside Dr. Archibald is the chief administrative officer and assistant deputy minister, Karen Chan.

I'm delighted that Mr. Hardeman has acknowledged the good work of the folks at OMAFRA. I think it's great. It's an important thing that we do, and we have some of the finest here with us this morning to provide answers to the members of this committee. I'm going to ask staff if they would stand so they can be identified.

Bonnie Winchester is the assistant deputy minister responsible for our economic development division. Dave Antle is the assistant deputy minister of policy at the ministry. Madeleine Davidson is the director of business planning and financial management. Tom Rekstis is the director of communications. We have Rena Hubers, who is the director of food inspection, and Christine Kuepfer is the director of farm finances. Brian Cardy is the director of the rural community development branch. Also with me are my chief of staff, Shelley Potter, and Chris Green, who is my legislative assistant.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much, Minister.

**Hon. Leona Dombrowsky:** If I can just clarify: Mr. Hardeman, the numbers that you presented as you have reviewed them in public accounts—we committed \$150 million, and you noted that—

**Mr. Ernie Hardeman:** On page 2-20 of the public accounts there was \$140,178,615 spent on that program, there being approximately a \$10-million difference between those two numbers. The question is, is it elsewhere in the public accounts or in fact is it not yet spent?

**Hon. Leona Dombrowsky:** Actually, I'm going to ask Christine Kuepfer from our ministry to provide you with some detail.

**Ms. Christine Kuepfer:** The \$150 million included two components. There was the \$130 million that went out in direct payments to the hog, horticulture and cattle producers. Then there was the additional \$20 million that went in a variety of payments. They were seen as sector investments, so they went to a variety of organizations: for example, \$9 million to producers to assist with the new enhanced feed ban regulations, \$5 million for dead-stock collection and disposal, \$2.5 million to the Agriculture Adaptation Council for research, \$2 million for the Alliance of Ontario Food Processors, \$1 million to the Guelph Food Technology Centre, \$0.3 million to the Centre for Rural Leadership and then \$0.2 million to the Farm Line. So that \$20 million does not show up in public accounts.

What happened subsequent to the announcement about the \$130 million in direct payments is that we received additional information from the federal government as it related to their cost-of-production payment. Because our payment was based on their data file, it meant that we were committed to paying producers who had received cost-of-production payments. So we had to increase our allocation of direct payments to producers from \$130 million to \$140 million in order to be able to accommodate the additional data information that we received from the federal government to ensure that all producers received equitable treatment because that had been our commitment: that all of those people who had received a payment through the federal cost-of-production program would receive an Ontario payment. So the \$140 million that you see on that page is actually the original \$130 million in direct, plus the \$10 million. The \$20 million shows up—and I'm sorry, I don't actually know exactly where, but it does show up because it was other sector investments in other parts in the estimates binder. I can find that for you if you would like.

0910

**Mr. Ernie Hardeman:** So where would I find the documentation that authorized the change of spending?

**Hon. Leona Dombrowsky:** We're getting that for the member, Mr. Chair.

**Mr. Ernie Hardeman:** Thank you. For the record, I think it's very important, when government makes an announcement and says, "We're going to spend \$130 million on one thing and \$20 million on something else," that there is something there in the record that shows that that isn't what the end result was. Obviously that, for me, is the only reason I'm here, or the reason we're here is to make sure that things flow properly.

**Hon. Leona Dombrowsky:** Just by way of answer, if I may, because I have received some information and it's what I had suspected. The government committed \$150 million and it was our estimate that \$130 million would be for the cattle, hog and horticulture producers directly. As you know, the criteria was that anyone who would have applied for the federal cost of production pro-

gram—and those applications were as recent as September 2007, so some two-plus months before the announcement—would have qualified for the cattle, hog and horticulture payment.

When all of the calculations were done, we realized that we needed, instead of \$130 million, some \$140 million. You would know that the measure that we use to access those dollars still within the amount committed by the government is that we go to Treasury Board and we explain that the calculations demonstrate a need for, with the criteria that was presented, some additional expenditure. So that is how those dollars were accessed through the Treasury Board order.

**Mr. Ernie Hardeman:** I guess the reason the figures came to mind, as I was reading the Hansard from the previous meeting—and this is the Minister of Agriculture speaking: "Beginning in February, the ministry also provided more than \$130 million in direct support to cattle, hog and horticulture producers who had been facing financial pressures over some years. They came to us and told us that they had some hardship over some years, so we provided \$130 million to allay those pressures. In addition to that, they were also victims of a higher Canadian dollar, higher input costs and lower market prices."

You're telling us that \$130 million went to those farmers, and then when I look in the public accounts, it's \$140 million. But it started as \$150 million, so we take the—like you say, the treasurer or the Minister of Finance didn't announce how the \$150 million was going to be spent, but I gather from your comments that \$130 million went to the farmers.

**Hon. Leona Dombrowsky:** I think I said \$130 million more. Can you just read my words back to me, please?

**Mr. Ernie Hardeman:** "So we provided \$130 million to allay those pressures." That's what it says in the Hansard. So I'm just wondering how we got that \$10 million just floating back and forth between the two. As a representative of the people, I don't know how it got there or where it went.

**Hon. Leona Dombrowsky:** As I have explained, we had set in place criteria that would qualify producers for payment. We did our very best to estimate the dollars that would be required.

**Mr. Ernie Hardeman:** I understand that, Madam Minister. My question is, how come you said \$130 million and now it's \$140 million?

**Hon. Leona Dombrowsky:** Because our goal was at least \$130 million. There was a calculation process. As it turns out, the applications required more than the \$130 million. Those were general numbers. The dollars went to farmers. I'm not sure if there's some dispute that they shouldn't have gone to those farmers. We feel very strongly that when the farmers were able to meet the criteria that were set out for the calculation, those payments were made. When it was evident that more than \$130 million would be needed and we had set aside \$150 million to support the cattle, hog and horticulture industry, we went to Treasury Board and we asked to be able to send those additional dollars to the farmers. The



farmers also identified some other programs that would assist them through these difficult times. So we still maintained investments in those areas and we directed the dollars to those people who qualified under the criteria that were set out, which we discussed with the producer organizations.

I'm looking at Hansard just for the purpose of clarification. My words were, "Beginning in February, the ministry provided more than \$130 million in direct support to cattle, hog and horticulture." That's my reading of the Hansard document.

**Mr. Ernie Hardeman:** That, Madam Minister, is true, but then you go on to say, "They came to us. They had some hardships over some years. We provided \$130 million." It doesn't say "more than \$130 million." I would think that if you went to Management Board and got approval for another \$10 million, you would know that you had spent \$140 million. At the time of the program, this is what you said on the last day that this committee met.

I guess I'm somewhat concerned that, as I read the Hansard, all of a sudden we have \$10 million floating around and no one seems to know where it went, because there were no other parts in the public accounts where even the \$20 million went, at that point. I appreciate your answer now, that the \$10 million went to the farmers, and I'd be the first to say that likely the last \$10 million should have gone there too, but that's another story—and I'm not questioning that that money shouldn't have gone to the farmers; I'm just questioning about the comment that it was \$130 million, and yet there was \$140 million spent.

Having said that, if we could go to the next one, we've had considerable debate in the House and elsewhere about the design of the program and the fact that the program pays money out based on the information—if we look at the start of the program, it's the cattle, hog and horticulture program, those three elements. You had to have at least 50% revenue from one of those programs in the year 2006. Then you paid based on the average incomes of 2002, 2003 and 2004. Is that right?

**Hon. Leona Dombrowsky:** I don't believe that's exactly as it is, and I would ask the deputy perhaps to respond to the exact detail of the criteria.

**Dr. Bruce Archibald:** Mr. Chair, I'm going to ask Christine Kuepfer to come up and give the details on the program design.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, please, Christine. Please proceed.

**Ms. Christine Kuepfer:** The federal cost-of-production program used the reference years of 2000 to 2004. You are correct that you had to have had farm income with the majority of your sales in either hog, cattle or hort in 2005 or 2006 in order to be able to qualify. Does that answer your question?

**Mr. Ernie Hardeman:** Yes. I think that's what I said.

**Ms. Christine Kuepfer:** I was just clarifying.

**Hon. Leona Dombrowsky:** Actually, I don't think you said that. But anyway, it's clear now.

**Mr. Ernie Hardeman:** The question becomes, Madam Minister—and this is not a staff question; it's a political question. The decision to eliminate people who did not have one of the three criteria, the hog, cattle or horticulture income, in 2005 and 2006, but had a full capacity of one of those three, 100% of their income was from that, in 2007—that was made without application, without appeal. How was that decision made, that these people should not be paid?

**Hon. Leona Dombrowsky:** I'm going to make two points with respect to that that I've made many times, and I think that hopefully there will be some clarity on this issue. Because it's a political question, I'm going to give you a political answer. After we were elected to government and I was asked to lead the agriculture file, I met with representatives from the sectors involved. They came to me very desperate, presenting a very serious situation in their sectors. They would make it very clear that the need was immediate. Actually, what they told me they needed was cash by Christmas. That's what they said: "We need the money by Christmas or we are going to have producers who will lose their farms."

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Of course, we take all concerns that come from our stakeholders very seriously, but this was one that I recognized we needed to act on quickly. Of course, my question was—and you've had this role, so you know that when you're dealing with public dollars you need to have some understanding—"How is it we got here to this place?" What they explained to me was that because of a number of consecutive years of losses in their sectors, exacerbated by the high Canadian dollar and higher input costs, there was a very serious, significant and immediate need.

So we talked about if the government were to consider providing some resources—they are very aware of the vehicles I have, that we have as government, to deliver dollars. There is a process that would require an application, and of course, that would definitely not deliver cash by Christmas. There was a very serious concern that the needs had been there for some time and they were so pressing that whatever the government might consider doing, it needed to happen quickly.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got to wrap this up in a minute for Mr. Hardeman.

**Hon. Leona Dombrowsky:** The other piece of this is that we also needed to be mindful to ensure that whatever program we might deliver would not have an impact on trade agreements. We needed to ensure that it was trade-friendly. That is why the idea of using the federal cost of production information that we already had in our system, that would enable us to do calculations to deliver cheques as quickly as possible, was agreed upon. Was it ideal? I have to say that there was a range of options considered, but at the end of the day, getting cash to farmers as quickly as possible was the pressing priority. It is for that reason that our government chose the model of delivery that it did.

**The Vice-Chair (Mr. Garfield Dunlop):** That's just about your 20 minutes taken up for the official oppo-

sition. The third party is not here at this point. Is it the pleasure of the committee to let them stack their time, or we'll just go on?

**Mr. Lou Rinaldi:** Mr. Chair, what is the procedure?

**The Vice-Chair (Mr. Garfield Dunlop):** I think you have the opportunity to allow Mr. Hampton, or the third party, to have their time at a later date, to stack it up for later, or we can say no to that. We'll be going to the Liberals, regardless.

**Mr. Lou Rinaldi:** Have we got an indication as to why they're not here? Have they requested that it be stacked? I just wouldn't want to make a decision without knowing what their intent is.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Hampton is to be here. He's been subbed in for this meeting today. I don't know where he is.

**Mr. Lou Rinaldi:** Well, I would suggest we go this round, but I'm not in favour of just stacking for the sake of stacking unless we have a request from them. If they're not going to show up, then I think we need to make other choices.

**The Vice-Chair (Mr. Garfield Dunlop):** So what am I hearing from the committee? Are you in favour?

**Mr. Lou Rinaldi:** I'm in favour of going this round, Chair, to be fair to Mr. Hampton.

**The Vice-Chair (Mr. Garfield Dunlop):** Pardon me?

**Mr. Lou Rinaldi:** I'm in favour of going this round and letting them stack the time, but I think when this round is over, then we'd better hear from where they are.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, so for one round you'll stack his time? We're in favour of that?

**Mr. Lou Rinaldi:** Yes. I agree.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, then if that's the case, we'll stack the time for the first round.

**Mr. Lou Rinaldi:** Thank you.

**The Vice-Chair (Mr. Garfield Dunlop):** Now, go ahead.

**Mr. Bob Delaney:** Welcome back, Minister. I'd like to pick up on a topic that, ironically, we began to discuss yesterday during question period, when I managed to get in a fourth question. We started to talk about farmers' markets and some of the measures that your ministry has implemented over the years and continues to implement that prompt Ontarians to not only buy locally grown fruits and vegetables and other forms of food, but that reinforce our opinion as residents of this province that the best food grown in North America comes from right here at home.

I know there are a number of particular programs that we started discussing after we finished question period, but now that we actually have an opportunity to have this discussion on the record, as it were, perhaps you could talk to me a little bit about some of the initiatives that the ministry has taken to encourage Ontarians to actually buy food that's grown right here in Ontario—without breaking into the jingle.

**Hon. Leona Dombrowsky:** You don't want me to sing? I have been known to do that. Some folks are

saying I shouldn't give up my day job any time soon, so I'll spare you.

I'm very happy to receive the question. If I may, just by way of introduction, talk about the McGuinty government's initiative to promote Ontario food products. I want to thank the producers and the processors in the province of Ontario, who we work very closely with. They made it very clear that with all of the challenges in their industry—and I have often said that I think the agriculture industry is the only one that is subject to two climates: the natural climate and the economic climate.

What I hear from these folks is that there are so many things that are beyond their control. For that reason, it is important that we have risk-management programs in place to assist them through some challenging times. But farmers, to the last one, would say that they want to make their living in the marketplace and they don't want to rely on government programs. They made it very clear that they believe that if and when consumers in this great province better understand that we produce the safest and best quality food of anywhere in the world, that is going to have a positive impact on their industry, on their sector. We couldn't agree more.

This was an initiative that was very easy to sell for a wide range of reasons. We recognize, and you would appreciate, I'm sure, that this government, and I think every government—but this government particularly—has been focused on investing in the health of our people, and that's why we have a Smoke-Free Ontario Act, we banned junk food in schools and we require exercise in our schools. We're focusing on building healthier Ontarians. An integral part of that plan as well is to educate them about eating good-quality food products. So that's a part of it. We also know that when people prefer Ontario food products, our farmers and the communities they live in do well. It has a ripple effect right across this great province.

I think the last important piece of the Pick Ontario Freshness strategy is with respect to our environment. We also know that when people prefer food products that are sourced close to their home, grown and processed in this great province, that reduces their environmental footprint. When they can purchase food that has come from just the concession away or just the county away as opposed to on the other side of this great continent, that has a very positive impact on our environment.

That is why our government decided that we would invest \$56 million in our Pick Ontario Freshness strategy. It has produced the jingles that we hear on television, and I find that when I go to communities, my own included—I was walking down the street and someone was singing the jingle behind me, just to make the point that they hear it and it has left an impression.

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I think what's most important, though, is that I've received feedback from farmers, particularly those who are involved in farm gate sales, who say that their sales have just taken off exponentially. That certainly is one of the goals of this program. So we have made a significant investment to educate the people in Ontario about why it



is important, why it makes good sense for them personally and for our province to look for and prefer Ontario food products.

We had some very effective vehicles in place already, and one was the Foodland Ontario program. The Foodland Ontario program is now 31 years old, and this is a program that has been very effective. In fact, our studies would indicate that fully 90% of the people surveyed recognized the Foodland Ontario symbol and recognized it represented products from the province of Ontario.

Again, with input from our stakeholders, our producers and processors—they recognized that this was something that we should be building on to promote Ontario food products. That is why, this year, we have worked with Foodland Ontario and now that logo, that brand that, before this government, identified quality fruit and vegetable products from Ontario, has been expanded and now is applied to meats, dairy, bakery goods, deli and other fresh foods. We're building on that very positive brand that the people of Ontario recognize. It's good for Foodland Ontario, but it's also good for those sectors that are now able to participate with that very successful strategy.

We've also made investments in the Savour Ontario program; we're talking with Foodland Ontario and our Pick Ontario Freshness strategy. That is an investment that focuses on the consumers and the food they purchase to bring home and prepare.

Savour Ontario focuses on food that consumers would purchase outside of their home and prepared outside of their home in a restaurant setting. This is a program that promotes Ontario wines as well as Ontario foods. We now have more than 70 restaurants in Ontario that are committed to serving local food. Right in my riding, the Waring House is a tremendous example of a dining establishment where you can go in and look at the menu and they actually identify the farm property where the food is coming from in the county.

What we are hearing back from those people who are participating in these programs is that they are the preferred menu selections, that people are looking for that freshness on their plate when they go out to dine. There are many fine restaurants right here in the city of Toronto that feature an Ontario menu.

This is a movement, I believe. I want to congratulate producers, processors and people in the hospitality industry who have partnered with us, who have recognized that by promoting Ontario food products, it's good for their customers, it's good for the people who purchase and it's also good for their business as well.

Another investment that we have made with our Buy Ontario strategy is the Ontario market investment fund. In July of this year, I announced that we are making \$12 million over four years available to the agri-food industry and local groups to present us with their ideas. They must apply to this fund and explain how they hope to partner in their region to promote their local foods. Again, this has been very well received. We have many people, many regions who are eager to work co-operatively with their producers and with local farmers' markets and

distributors to provide better access and better information to the people in their community about what grows and comes from that region.

Another important investment, and it goes to the question that the member asked me in the House yesterday about our investments with farmers' markets—another key access point for people in the province of Ontario to access farm-fresh food: We have committed \$4 million to Farmers' Markets Ontario and the Ontario Farm Fresh Marketing Association. Again, this is to support their good work in promoting local producers.

The example I referred to in the House yesterday was that when we made this announcement and launched this initiative, it was at a very unique location. I think it's fair to say that as Minister of Agriculture, Food and Rural Affairs, I visit a lot of farms, I make announcements at farms and at food processing establishments, but this was the first announcement I made at a hospital. This was to open the first and only—that we're aware of—farmers' market on a hospital property. That's right down the street at Sick Kids Hospital where this summer, and I think it's through until this month, and I believe that it's every Tuesday, there's a farmers' market on the front drive of Sick Kids Hospital. The producers who have joined this initiative are all from the greenbelt. They're very happy to identify with the greenbelt and have people understand that this great protected area is a source and site of the production of the food they eat. I thought it was very appropriate, as well, when you think that Sick Kids Hospital is a place where people go to become well, and they just have to walk outside the front door and there's all kinds of good food that will assist them on that journey to health.

These are some examples of how we have invested in our Buy Ontario strategy. This is, for us, we think, a beginning. We have made this commitment of dollars for the next four years. The feedback has been very, very positive and overwhelming sometimes. We look forward to continuing to work with our partners. I think that that's very key. Yes, the government has a role to play, but we will only be successful when we work with our partners and when we recognize that—in my view—the stars of this plan are the people who grow the food. They really do an outstanding job. Then, of course, there are the people in the processing sector who work so very hard to ensure that what comes to us in our homes is of the very best quality.

I'm happy that the member has asked about our Buy Ontario strategy. We did have an opportunity to talk about his community in Mississauga where there's a farmers' market which is, I think, if not in the member's riding, just outside the member's riding. Typically, perhaps, there was the sense that farmers' markets were in limited locations. I believe that through the partnership that we have with producers, with Farmers' Markets Ontario, and with Farm Fresh Marketing Association, there has been an expansion of farmers' markets across this great province. I see that as a trend that I believe will continue as more and more Ontarians look for the best-quality food they can provide for their families.

**The Vice-Chair (Mr. Garfield Dunlop):** She used a lot of time with that answer. You have five minutes left.

**Mr. Bob Delaney:** It was a comprehensive question; I was actually very interested in what she had to say. I don't think there was a one-word answer to the question.

I guess, then, in the last five minutes—as long as I have a little bit of a soapbox. I come from an area in the greater Toronto area whose hallmark is its diversity. The city of Mississauga, for example, grows by about 20,000 people per year, and nearly all of them move within five minutes of where I live, and that's not exactly an exaggeration. Across the GTA, and especially in the 905 belt, what we have as a great asset to our province is a very dynamic community of newcomers with a particular emphasis on South Asia, east Asia, southeast Asia and, to a growing degree, eastern Europe and Latin America. If there's a syndrome that I could describe, it is that for the generation that comes from the old country, regardless of which old country and regardless of what time period they came and continue to come, their values, tradition and culture are rooted in the old country and so are their habits. The generation born in Canada of parents from the old country is the mixed-up generation, and in fact they end up teaching their parents about their province and their country based upon what they learn in school. It's the third generation that's more recognizably Canadian than it is of the old country.

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To bring that back to some of the values, cultures, traditions, roots and buying patterns, what we see throughout the 905 belt is a very extensive, albeit informal, chain of, for want of a better term, ethnic stores. It's very possible to, if you want to, go into a specialty store a few minutes from where I live and find the same brand names that you can find on the shelves in New Delhi, Shanghai or Damascus, and it is exactly the same produce. In many cases, even farm produce is flown in from Asia or from the Middle East.

I'm just wondering, from the staff point of view, had you thought of an outreach plan to some of the clearly identified ethnic communities to equate quality with Ontario produce so as to counterbalance to some degree the perceived imperative of, "Well, you know, we've got to go to this store because we can buy tomatoes that have been flown in directly from the Middle East." I've been over at a lot of the homes. I've had them and, frankly, the Ontario stuff is better. I'm just wondering, as a member from the 905 belt, whether or not the ministry would like to join in a dialogue to teach newcomers to Canada some of the benefits of doing your grocery shopping and paying attention to Ontario produce.

**The Vice-Chair (Mr. Garfield Dunlop):** This will have to be a shorter answer; a minute and a half left.

**Hon. Leona Dombrowsky:** It's a very good question, and I'm delighted to have the opportunity to respond. Perhaps, as fulsome as the previous answer was, it was not fulsome enough because, when I speak about the Farmers' Markets Ontario investment, the partnership that we have with Farmers' Markets Ontario, the \$4 mil-

lion, one of the components of that partnership is to assist Farmers' Markets Ontario to research what consumers expect to find from direct farm sales. So there are resources available for farmers' markets to work with those communities to determine, "What are we not growing that those communities are looking for and are sourcing outside our province and that we can grow and provide better?" as well as, "How can we do a better job?" doing just as the honourable member has indicated we need to be doing, and that is promoting the quality of Ontario products. However, I would say that, given recent events, there is a heightened awareness that it can happen; when products come from offshore, there can be some significant risk in purchasing those products. We are providing resources to Farmers' Markets Ontario for that purpose.

**The Vice-Chair (Mr. Garfield Dunlop):** Now we'll go over to the official opposition and Mr. Hardeman.

**Mr. Ernie Hardeman:** Madam Minister, I do want to go back to the issue of the Ontario cattle, hog and horticulture program just for a few moments. It has to do with the timing and your interest in getting the money out quickly. I've said it in the House, and I'll say it again here, that I fully support Ontario Pork's analysis when they said that when there's a program announced to help them when they're in dire straits, the quicker the money gets out the better; that's their responsibility on behalf of their constituents. But it would seem to me that the responsibility of the minister is to make sure that it goes to the right people, more so than how quickly it's being done. A former minister said to the Auditor General, "The reason those cheques went to these people, and it was more than they needed, was because I had to get them out in a hurry." That to me is not a good enough reason to send them out. You have to make sure they go out right.

Just quickly on the timing: You used the wording that you wanted to get the cash out—I'm not sure whether that was Ontario Pork's position or yours—before Christmas. Of course, the original economic statement was December 13, so that would in fact make it two weeks or two and a half weeks that you were going to get cheques out. It's not a reasonable assumption that you would get them out that quickly. The program details weren't announced till January 17, so getting them out before Christmas was not an option at that point because you didn't have the program. The letter that went out to the recipients with the cheque was in fact February 27. A lot of time has taken place between December 13 and February 27. It would seem to me that the ability to get numbers that would tell you who should be eligible—there's enough time in there to do that.

I'm aware, and I've heard from my constituents, that there were people who no longer were keeping any one of those three items and hadn't been for more than a year—in fact, some quite a bit beyond that—hadn't had any livestock on their farm and got a cheque. In fact, there are people who were no longer on this earth who got a cheque. Yet you're saying, "That's the collateral damage that we caused because we had to get the money



out quickly.” Don’t you think it’s your responsibility to make sure that it goes out to the right people?

**Hon. Leona Dombrowsky:** The cheques did go out to the right people. If I may just respond to the statement about cash by Christmas, that’s what producers expected of me. That’s what they told me they needed. I made it very clear that—

**Mr. Ernie Hardeman:** You mean deliberate?

**Hon. Leona Dombrowsky:** Excuse me. That’s what producers told me they needed: cash by Christmas. In fairness to the producers, I think that was their way of expressing to me the very immediate need. They were very concerned. I am told by these people, who I believe, that there were a number of farm operations that were at risk of being taken over by their bankers, so the situation was explained to me as quite dire.

What I did when I met with the stakeholder groups was certainly talk about the vehicles that we have as government to deliver cash. I indicated that there are a range of scenarios, but, again, the point came to me that money needed to be delivered as quickly as possible. Yes, on December 12 the Minister of Finance indicated that there was a commitment to spend dollars. There certainly was an understanding. The people we spoke with appreciated, if we were to deliver the dollars in the time frame that they told me they needed the money, that using the existing information that we have in our ministry would be the best vehicle to do so, and so that is what we pursued.

The criterion at the end of the day was that anyone who would have applied for the federal cost of production program as late as September 2007—that was the most recent information—would qualify for that payment. So in terms of the right people getting the money, I believe that in fact the right people have.

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The honourable member has suggested to me that he’s aware of people who he believes, in his mind, don’t deserve, and shouldn’t have received the money. I’ve indicated that if he has this information, that should be forthcoming from him. I’d be very happy to pursue that on his behalf.

I do believe—and if there are people who would—

**Mr. Ernie Hardeman:** Madam Minister.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. You wrap up this part of the question, and then we’ll get into—

**Mr. Ernie Hardeman:** This is getting ridiculous.

**Hon. Leona Dombrowsky:** So, very clearly, those people who would have applied for the federal cost of production were those who were qualified, and they were the people who received the cheques. After the application date and within I would say two months, those cheques went to the people who, by the information that we have at the ministry, qualified for those payments.

**Mr. Ernie Hardeman:** I don’t need quite as long an answer, Madam Minister; I just need the facts. Do you know—or can you get the information—how many deceased people received cheques, cheques that went to an estate, and people were no longer with us?

**Hon. Leona Dombrowsky:** My staff are indicating that that is something we can look into. I’m not able to say definitively that that information will be forthcoming. We do find sometimes there are some issues around privacy. But whatever we are able to provide, we will.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you.

**Mr. Ernie Hardeman:** If I could, Mr. Chairman, I would also like it to include retired farmers who had gone out of farming and retired in that last year.

**Hon. Leona Dombrowsky:** Yes. Staff are indicating to me, and I do question, as well: What’s the definition of a retired farmer?

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Hardeman, do you want to clarify that?

**Mr. Ernie Hardeman:** Yes, sure. Someone who is no longer qualified, based on the number of livestock units when the cheque went out.

**Hon. Leona Dombrowsky:** If an individual still owns a farm, are they a farmer?

**Mr. Ernie Hardeman:** No. I mean they would no longer qualify. If at the time the cheques went out, that farmer no longer had pigs—at that time, you suggested that you don’t have that information, but do you have that information now, as to who got the cheques, and how many of them no longer had pigs, cattle or horticulture in 2007, those people who were getting cheques when they really shouldn’t have?

**Hon. Leona Dombrowsky:** First of all, if I may offer this, we have a business risk-management program that operates, and the honourable member, from when he was minister, would know that under the business risk-management program, those dollars are delivered after year-end sales are provided. So it does happen in this business that when people receive cheques, they may no longer be in the business, but the dollars are provided to compensate for losses they experienced when they were in business. That’s how the dollars are provided.

So they did need a cheque, because the numbers that have come to the ministry make it very clear that with the criteria that we use, they qualify. The day they get the cheque, they may no longer be actively farming, but those dollars are provided sometime later, to compensate for the losses that they demonstrated they had when they were farming.

That’s a program that we have in place, and all other provinces operate the same way. This is part of the agreement that we have signed with the federal government in terms of how those dollars are delivered.

**Mr. Ernie Hardeman:** I don’t want to suggest they weren’t eligible; I just want to suggest that I’d like to know how many were no longer farming when they got the cheque.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, I think that’s clear. Do you have the next question?

**Mr. Ernie Hardeman:** You talked, Madam Minister, about the meeting with the stakeholders, and particularly the chair of Ontario Pork, about the challenge that they faced after cheques went out, with new farmers and beginning farmers and younger farmers in particular

being missed in the program. The chair of Ontario Pork suggested that he would like you to do something to fix that problem. Obviously, nothing more was done. Could you tell me why something couldn't be done to alleviate the problem with these young farmers?

Incidentally, a lot of the farmers that Ontario Pork was talking about before Christmas who were facing challenges with the bank were in that group of farmers who didn't get a cheque, so the bank is still at their door.

**Hon. Leona Dombrowsky:** First of all, I did not make any particular reference to any meeting I had with any particular stakeholder.

**Mr. Ernie Hardeman:** No, I made the reference to it. I got that from Ontario Pork.

**Hon. Leona Dombrowsky:** I just want to make that clear, and I would not be inclined to respond to what you would presume might have been the conversation. What I'm very prepared to answer to, as I have to date, is that the conversations we had with stakeholders made it very clear that because of losses that have been suffered over a number of years, there was a particular urgency in dealing with that. So the honourable member would say that if someone got in the business in 2007, there was an urgent need and the bankers were at their door to retake the farm. That's the scenario that has been presented. I think it's fair to say that the conversations that I had with stakeholders around why we needed to do this ad hoc payment—by the way, we're the only province in Canada that did it, and the federal government certainly didn't put in a 60% share. But clearly, the presentation to me, as minister, from the stakeholder groups, was that there was an urgent need, and it was because of the situation in the sectors for a number of years. That was clearly the point that they made to me.

The honourable member would suggest to me that he has heard from leaders of particular sectors, and after the program was out they may have heard from some of their members who did not receive cattle, hog and horticulture payments. I'm sure I have no reason to doubt that. But when it was at the time of coming to me and pleading what their needs were, I'm telling you very clearly that there were two points: that it was to address some long-standing hurt that the sector had experienced; and that cash was needed as soon as possible.

Just for clarification, I also want to indicate that producers who were new in 2007 or had significantly changed their operation had the option of applying for the 2007 AgriStability interim payment. An interim payment, the honourable member would know, is an advance, so to speak, on what they would receive from their participation in AgriStability. This interim payment process allows for the timely flow of dollars that directly relate to the individual farming organization. Producers currently experiencing financial difficulty can apply now in 2008 for these interim payments. I think that it's also very important for the members of this committee, in particular the honourable member, to be aware of the various tools that are available to producers. Those who would have come into the business in 2007 and would experi-

ence some challenge are certainly able to access the interim payment program.

**Mr. Ernie Hardeman:** Madam Minister, I've heard that line for many weeks and many months. We all know that an interim payment is money they're going to sadly need when they get to that point. It's just an advance on the pay. You and I would both know that if you have an income and you have to work to pay today's bills, you have to take an advance on next year's income, and when the next year comes, you're going to be in dire straits. So to me, Madam Minister, that is not an answer.

Obviously, there's no answer forthcoming for these young farmers. I guess the government has decided that they're just not important enough, because they need it as much as anyone else keeping pigs in 2007. Many of them were already keeping pork in 2005-06, even before that, under contract. They switched from contract because the prices dropped. We all know that when the provincial government announced this program, it was announced because of the dire straits in 2007.

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*Interjection.*

**Mr. Ernie Hardeman:** Madam Minister, it's my turn.

The Minister of Finance stood up and said, "because of all these conditions: the rising input costs and the high dollar"—not the high dollar in 2005, not the high dollar in 2006; the high dollar in 2007.

These people were investing in contract pigs. The supplier of the contracts reduced the money so much that they couldn't keep contract pigs anymore. They then bought all their own pigs, and then their government leaves them hanging at the end of the next year. The cheques didn't come out until 2008. They had a whole year of losses and the government says, "No, you don't count because there are other people that count more." I just think that this program is badly flawed. I thought it when you brought it out, and it still is.

Madam Minister, so far this morning you've done absolutely nothing to explain what we're supposed to do with these farmers that totally missed out on the program. Getting an advance on their money, to me, Madam Minister, is not the answer.

Having said that, I do want to—

**Hon. Leona Dombrowsky:** May I respond?

**Mr. Ernie Hardeman:** No. There was no question there, Mr. Chairman.

**The Vice-Chair (Mr. Garfield Dunlop):** He hasn't really asked you a question at this point; he just made a comment. You're down to three minutes in this round.

**Mr. Ernie Hardeman:** The question is—and you mentioned in your statement the last day that there was about \$25 million to help with the transition of the meat packers. Do you recall that, Madam Minister?

**Hon. Leona Dombrowsky:** Yes.

**Mr. Ernie Hardeman:** But yet, I can't find that in the list. This may be a staff question: the transition assistance to meat processors for 2007-08 was \$6,770,000 and in the public accounts it was \$2,695,000. Where did the \$25 million come from?



**Hon. Leona Dombrowsky:** Staff will be happy to get that information. We're just determining who best is going to provide it.

**Dr. Bruce Archibald:** This was a multiple-year program, and those are the expenditures for the first year of the \$25-million initiative—if what the member's referring to is the program to assist with the transition to the new federal regulations dealing with removal of SRMs and those types of materials. It was a multiple-year program. The expenditure that you're seeing is the first-year expenditure of a \$25-million commitment over a four-year program.

**Mr. Ernie Hardeman:** Can I just finish off that one by questioning the difference between the estimates and the public accounts number on that same column from \$6,770,000 to \$2,695,000? That seems like a very low take-up of the program.

**Dr. Bruce Archibald:** It was below what was originally estimated, but these programs, historically, have a fairly slow ramp-up time. I think it takes time to get awareness and for people to put applications in and for processing. It was initially budgeted for a fairly even distribution of the dollars over the four years, but as you've correctly pointed out, the first year was below that. Those dollars then roll over and are available in the remaining three years of the program.

**Mr. Ernie Hardeman:** Thank you.

**Hon. Leona Dombrowsky:** Also, if I may add to that, we have been working very closely with the Ontario Independent Meat Processors because we recognized collectively that we could be doing more, that there were resources available for independent meat processors. What we were coming to understand was that not everyone knew all of the programs that would be available to assist them. The Ontario Independent Meat Processors, I believe, have been doing some tremendous work with outreach to assist and advise independent meat processors of the programs that are available. We do look forward to continuing to build on that relationship and to continue to partner with meat processors who would qualify for this program.

**The Acting Chair (Mr. Garfield Dunlop):** That just about wraps up the official opposition's turn.

We will now go to Mr. McNeely. This will be the last 20-minute rotation before we recess for question period.

**Mr. Phil McNeely:** Thank you, Minister, for being here today to give us this information and for all the good work that's being done within the Ministry of Agriculture and Food.

I was at a meeting this morning with a couple of people from Minnesota who were up here to talk to us about the environment and all the issues that are going on there. I just wanted to bring in, before my real question, that one of the things that could give our food an advantage is if we take into consideration the terrible costs of the carbon dioxide that's used in transportation when we're seeing a lot of the foods coming from China now, coming from Florida and coming from Mexico. I know we'll always be importing food, but one of the hidden costs there is the carbon dioxide and the great damage

that is coming up in the future with climate change. We're using this atmosphere as a free dump when it's really not a free dump. We're going to pay for it; our children are going to pay for it a great deal.

But I want to get toward some of the investments that you're making in Vineland Research and Innovations Centre. Can you tell us why we've made significant investments there, and what do we expect to get from that investment?

**Hon. Leona Dombrowsky:** I'd like to thank the member for asking about Vineland because it has been a significant commitment by this government. In my view, and certainly in the view of the many people who have had a hand in the shaping of the support program that we have implemented, it's very important, not just for the agriculture industry but for the Niagara region.

What everyone has recognized is that it's a very unique treasure we have in the Niagara region. From a climatic perspective, certainly, they are able to grow many fruits and vines that we cannot grow in other parts, although because of the work that has gone on there and is going to go on there, we are hopeful that we are going to be able to innovate in ways that will enable us to establish a wide range of fruits and vegetables across the province in areas that have not been typical for them.

There has been for many years the Vineland research station. The family of my deputy next to me certainly has a history there and some wonderful work there as well. I think what our government has recognized is that, because of the very good work that has gone on in Vineland, the tremendous resource that we have in the facility there, we could not miss the opportunity to build on that. Because the Niagara region is the treasure it is, because we enjoy the climate that we do in that part of this great province, this was a facility that was worth an investment.

But we also recognized that really to ensure success, what we needed to do was to reach out to our partners in the industry, partners in the region and partners in the area of research and ask them what their vision was, how we can get the best bang for our buck, so to speak. We had a desire to build on the facility, but we wanted to do it in a way that would ensure that it met the needs of the industry and the region. So I asked a panel—and I don't have the names of the panel right in front of me—of some very good people; it was chaired by Donald Ziraldo—to consider a plan around what they saw the future of Vineland to be. These individuals worked very hard, and within a very few months provided me with a document around what they saw could and should happen in Vineland.

Very clearly, it did require some investment, and I think it's no surprise that when you consider the role government plays in these partnerships, very often—more often than not—it's as the funder, but not just as the funder. I think the government does want to ensure that the goals of the plan are consistent with our goals as a government. We want to ensure that the investments we make are going to support the local economy, are going to support the industry sectors going forward. We want to

make sure that, as we continue to liaise and dialogue with our partners, in this case in the horticulture sector, that the investment we make is consistent with the direction they would like to see us go in as well.

1010

Just going back to the people who were on this committee: Donald Ziraldo was the chair; Dr. Cal Stiller; Jamie Warner was a local farmer; and James Farrar represented the greenhouse industry; and the secretariat was Ken Knox, who's a former deputy minister in this ministry, a very fine one indeed. Those folks brought us a plan, and the plan indicated that in order to achieve the vision that the folks in the region saw for the facility, there would be a need for a capital investment of some \$25 million. So this was something that we as a government and certainly within my ministry, and then of course with my cabinet colleagues, considered very carefully, and we were able to initially commit to \$12.5 million to the establishment of the Vineland research station. Now, if I may as well, Mr. Chair, just talk about the fact that this station has some significant history in the region as well: it recently celebrated its 100th anniversary. It was really that event that sort of was a springboard for us to put the committee together.

I'm just going to go to my notes because there are some particular points that I would like to make with respect to the vision of what is going on at Vineland right now.

Also, the committee brought recommendations around how the centre would be managed. So, in 2007, the Vineland Research and Innovation Centre established its board of directors and hired a chief executive officer. This year, the focus is on advancing the research program and the priorities of the industry. Three senior research scientists have been hired in the areas of sensory and consumer science, discovery—and that sort of goes to the question that Mr. Delaney asked earlier—discovery and adaptation, and molecular breeding and adaptation. Vineland also hired a chief administrative officer, a grant writer and a public relations/communications person. In 2008, Vineland will continue with planning for a new, state-of-the-art research and innovation centre by initiating a site master plan which will build on the results of the functional plan that was completed earlier this year.

You may know that horticulture is a significant industry in rural Ontario, with more than 7,500 producers, and they generate more than \$1.75 billion in sales in our province. But this sector is facing significant challenges, and you know with the closure of the CanGro facility in the Niagara region, the rising Canadian dollar and the increased global competition it is really reducing their profit margins. The horticulture sector has been very supportive of our investments in research and innovation. In fact, in one of the very first meetings I had with representatives from this sector in terms of what their ask was, what they expected from government, it was clearly support in the area of research and innovation.

The vitalization of the Vineland station can contribute to building a much brighter future for the horticulture sector, also for the Niagara region, and obviously for the

province as a whole. We know that research and innovation are absolutely key. It's part of our five-point plan. We recognize why it is so important to invest in innovation. We believe that when we innovate and we are able to demonstrate that we have the latest, the best, the hardest and the safest, that is going to attract business to our province.

Vineland's first 100 years created a legacy of growth and success, and we owe it to those who came before us and to those who will follow us to create a world-class research institution, and we have the solid foundation upon which to build it. It is for that reason that I spoke about the \$12.5-million initial investment that we made. Because we are absolutely committed to an innovation agenda, we were able, last year, to provide an additional \$12.5 million for that treasure of a facility.

This is something that was so very well received within the region. I spoke earlier about the 100-year history. They have been so fiercely proud of all that Vineland has represented in their region for the last 100 years. It was a bit of a tired facility when we came to government; I believe that the \$25-million investment that we have made has breathed some new life into this facility and has inspired a great deal of excitement in the region, certainly a lot of excitement in the horticulture sector, as they look for products that they can grow in this region, products that will, as consumer demands change, enable the region to produce the products that consumers are looking for. They may not be the food products that consumers preferred 25 years ago.

The folks there feel that this has been a real shot in the arm for the region. We think this is an excellent investment in the horticulture sector, and we look forward to continuing to partner with the farmers there, with the scientists and with the regional representatives to continue to build on the reputation that Vineland has.

**Mr. Phil McNeely:** Chair, how much time?

**The Vice-Chair (Mr. Garfield Dunlop):** You've got seven minutes left.

**Mr. Phil McNeely:** I've worked, I think, 25 years with farmers down in eastern Ontario, when we were doing a lot of tile drainage work and a lot of municipal drainage work. The tile drainage in eastern Ontario allowed the corn producers to get their crops in the ground a couple of weeks earlier and helped them, certainly, in taking the crops off for silage. I got into hand cutting with those heavy clays down in Prescott and Russell.

The history of tile drainage and extending the season for seed corn in eastern Ontario is one that I saw from the 1960s until the 1980s, and it's continuing today. Rather than investing in bigger tractors, they're able to invest in tile drainage and make sure, when they prepare the fields for seed, that the seed and the fertilizer, those big investments, are not lost. So tile drainage was one of the areas where the Ministry of Agriculture and Food, over the years, has helped a great deal.

There's another thing that's happened, and I don't know if it comes from some of the research that hap-



pened at Vineland, but adaptation is one of the issues you mentioned. We have a winery right next to Orléans now—Domaine Perrault. Denis Perrault has served on many committees. He's a dairy farmer, and he served on many committees with the natural resources and agriculture and food. But Denis, Lyse and their daughter Anne have invested in our first winery in the area. There was one at Bourget—I don't know if it's going—but this one is only three or four kilometres from my riding. They've been very successful with that adaptation to the climate in the Ottawa area; we've moved a winery out to that area, and he was one of the people who led that. I know that you've been very successful in Prince Edward County, and that whole area; that's become a significant industry and a great industry. I had a brother who lived in Consequon, and he raised beef. I tried to convince him to put four or five acres into grape production, but he stayed in beef—he's out in Saskatchewan now.

But certainly, moving the capacity of our province forward, the research and innovation is a good part. Something that we've done in Alfred—and I was involved in that project with Alfred College of Guelph University—is use wetlands to treat the sewage, and it's been quite successful. That's been going on for five or six years. So I certainly feel that these investments that we make in innovation and research are extremely important.

One of the issues around cities is growing your own food, and food sustainability, and getting away from all that transportation of food, and you've mentioned that somewhat. But with farmers' markets and people within the suburban areas that are very close to agricultural land, it would be nice to develop projects that would combine the farmers' markets with garden plots, and it's something that I've thought about. That \$12 million you mentioned earlier, I believe, is that the type of project that might be considered?

**The Vice-Chair (Mr. Garfield Dunlop):** Three minutes remaining, Minister.

**Hon. Leona Dombrowsky:** Oh, thank you, Mr. Chair. Well, there was a lot of preamble there. I'm happy that there was, because it provides me with an opportunity to say that I had the opportunity and the privilege to visit the vineyard next to the member's riding. It is a wonderful facility and yet another example, and he very appropriately identified that. As a result of research and innovation, we are going to be able to do some extraordinary things in the agriculture sector; some things that we aren't doing right now, or able to do, we will in the future. He has identified a region of the province that typically did not produce grapes for wine and is now doing so—and doing a splendid job, I might add.

Another point that I would like to identify is that we are now able to grow grain crops farther north in Ontario than before, and that's, again, a direct result of the partnership we have for research and innovation.

With respect to the \$12 million for the market initiative, what I would offer to the honourable member is that it's an application process. We would certainly encourage any group—and we do look for partnerships,

there's no doubt about it. We believe, and we have found, that the best way to receive return on dollars invested in communities is to ensure that there are a lot of folks who are shepherding the initiative.

So I would suggest to the honourable member that if he is aware of groups anywhere in the province that would be looking to partner with the government to look for ways to better promote and encourage local food products and local food production in a region, certainly, please contact my minister's office or the ministry, and we will put you in touch with folks to listen to the idea, to see if it qualifies, to work with people who would be eager and to have them understand how they might qualify for the resources that have been made available in this program. Did I do it in three minutes?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, you still have 20 seconds left. That's very good.

Anything else in this round, then? Okay. With that, we will recess this portion of the meeting until 4 o'clock this afternoon.

*The committee recessed from 1023 to 1603.*

**The Vice-Chair (Mr. Garfield Dunlop):** Good afternoon, everyone. We welcome everyone back. We left with the government finishing up their 20-minute rotation. We'll go now to Mr. Hardeman from the official opposition.

**Mr. Ernie Hardeman:** It's good to be back after a hearty lunch of fine Ontario food.

Before I get back to the regular questions, I was going over the Hansard, and there's a comment from Dr. Archibald on page 16 of the Hansard of that day—the numbering is just the way I numbered it from the presentation. I'm sure the doctor will recognize the statement: "There are times, under extenuating circumstances or extreme sorts of conditions, such as we had last year when we did the one-time cattle, hog and horticulture payment, when the industry asked the minister to waive that policy because of the extreme situation facing many cattle and hog payments, which is the minister's prerogative, and she chose to do that. So it isn't all the time and all programs, but as a general policy we try to collect payments from people when there are future payments that are eligible."

My question to the deputy would be, where would I find that policy? As the programs are set up, they have a standard, they have a process, of how you collect the back payments. What would precipitate the extreme circumstance that would give the minister the prerogative to exempt this program from that?

**Dr. Bruce Archibald:** Sorry, I'm just unclear about the question. What would be the circumstances that would—

**Mr. Ernie Hardeman:** It says here, "extreme situation facing many cattle and hog payments, which is the minister's prerogative, and she chose to do that." Where would I find the policy that says, "These are the parameters for a program in all cases, and unless the minister chooses not to, we would collect the overpayment from previous payments." Where would I find the ability to

exempt this program from collecting the back overpayments from our farmers?

**Dr. Bruce Archibald:** The Ministry of Finance sets out the general policies in terms of recovery of overpayments, but does allow an individual minister to deviate from them, case by case for the particular programs, and the ability to not collect overpayments. So the general policy of the government in all areas is that when there are overpayment situations, we try to recover those using a variety of different methods, but the minister responsible—in this case the Minister of Agriculture, Food and Rural Affairs—has the ability to waive that collection process based on the needs of the industry at that time.

**Mr. Ernie Hardeman:** Again, where would I find that policy?

**Dr. Bruce Archibald:** We'll have to find the stated policies in terms of the collection policy for the province, in terms of overpayments and the ability of a minister to deviate from that.

**Mr. Ernie Hardeman:** If I could get that, I'd very much appreciate that.

I had some quick questions here on Agricorp and the audit. I think my colleague may have answered it, but I don't remember reading the answer. In the last year, approximately 60% of the applications audited had errors and had to be adjusted. Of course, the audits were only conducted on 1% of all the applications. So a 60% failure rate in the applications—how do we deal with all the others now? We have 99% of the applications that we have to assume are 60% wrong. What are we doing about that?

1610

**Hon. Leona Dombrowsky:** I'm happy to respond to questions with respect to Agricorp. We certainly had heard a great deal about some of the problems at Agricorp, and that is why I asked the Provincial Auditor to provide some direction to the government in terms of how we can improve that service. One of the recommendations, first of all, the Provincial Auditor did identify—I'm just looking—

**Mr. Ernie Hardeman:** Excuse me, Minister.

**Hon. Leona Dombrowsky:** Yes.

**Mr. Ernie Hardeman:** I've read the Provincial Auditor's report and I know what it says. He said that he checked 1% of the applications and found an error rate of 60%. That's more than half of the applications he checked that needed adjustment. My question is: What are we doing about the other 99%? Don't they need adjustment?

**Hon. Leona Dombrowsky:** Actually, anyone who would have received a payment that they believe is not appropriately calculated can appeal that and ask for a review. We certainly take the recommendations that have come from the Provincial Auditor very seriously. That's one of the reasons why we had the audit; we recognized that we have to do a better job with program delivery. One of the recommendations that the Provincial Auditor did ask us to consider—we've sent this out to our stakeholders as well for their comments—and what he noted

was that in the province of Quebec, where the province requires an official agent, in other words, an accountant, someone who is familiar with the program—it is a requirement in the province of Quebec. In Ontario that is not the case. I have heard—

**Mr. Ernie Hardeman:** Okay. So are you suggesting, Madam Minister, that you're looking at making that a requirement for here to deal with those?

**Hon. Leona Dombrowsky:** What I'm suggesting is that we are taking all the recommendations of the Provincial Auditor very seriously. It was identified by the Provincial Auditor that, because there may be some unfamiliarity with the filling out of the forms, there is an extraordinarily high incidence of error. One of his recommendations to deal with that is to require an agent to assist a producer to submit the form.

**Mr. Ernie Hardeman:** Okay. Again, going back to the 60%—and this question is more to do with the situation that's on the ground now as opposed to where we go in the future—the auditor says 60% of the applications have an error in them. That's based on his quick glance at 1% of the applications. Some 60% of that 1% had an error. Isn't there some kind of need to look at them all and say, "If there are 60% that are wrong, we can't wait for every applicant who thinks it's wrong to appeal, but to actually look at where they're wrong"? The auditor found it in his 1%. He found the 60%. Can we not find them? Can the ministry not find those?

**Hon. Leona Dombrowsky:** Again, I think what the Provincial Auditor has indicated to me in the audit was because—and I think that he also made it very clear that the role of Agricorp is not to necessarily correct applications, that that isn't perhaps the best use of their time; it's to process the applications. We do have a problem, because not all of the information that's being provided is correct, and one of the best ways to pre-empt that is to require an agent who has some experience in dealing with the forms—so that is certainly something that we are carefully considering.

I have put this document out to stakeholders to get their feedback. From time to time we hear from producers who have various opinions about Agricorp. I have heard some very strong opinions about whether or not we should require an agent. But I think what the Provincial Auditor has very clearly identified is that in Quebec, where that is required, over 95% of applications—that is, they have hired the agent.

**Mr. Ernie Hardeman:** That would explain, Madam Minister, very well why we should be looking at something like that. My question still is that if we are told by the Auditor General that 60% of our applications were not filled out properly—have mistakes in them, overpayment or underpayment—I would think that it's not good enough to just say, "Well, from now on we'll do a better job." It would seem to me that it requires looking at and saying, "What was wrong with the system?" Because the next thing that the Auditor General mentions is that there seemed to be nothing in place to make sure that some of the mistakes weren't intentionally made. So what are we doing about that?



**Hon. Leona Dombrowsky:** Mr. Chair, can I ask for a clarification? When the member says that some of the mistakes may have been intentionally made, would that be by Agricorp or by the producer?

**Mr. Ernie Hardeman:** Well, it says, actually, by Agricorp. According to the auditor, there was no system to track which staff had made changes to data to ensure that they are not modifying payments to friends, family and themselves. What changes have you made to make sure that that's not happening?

**Hon. Leona Dombrowsky:** I'm going to ask the deputy to respond to that.

**Dr. Bruce Archibald:** I think there's actually a couple of points that I might just provide some clarification on.

Of the 1% that Mr. Hardeman talked about—those were actually Agricorp's audits of their high-risk files that the auditor reviewed—50% of those files, it was found, needed to have payment adjustments. So it was a subset of a higher-risk category within Agricorp's normal audit review process.

As far as the comment that the auditor made in terms of a potential bias of a reviewer because of areas—those are areas where Agricorp has actually developed a policy in terms of making sure that there is separation of individuals who are looking at files for which they might have some personal potential conduct, and it's also one of the areas that we're going to do as part of our overall review in response to the Provincial Auditor's various recommendations.

**Mr. Ernie Hardeman:** Thank you very much for that. Was this a value-for-money audit?

**Hon. Leona Dombrowsky:** That's my understanding, yes.

**Mr. Ernie Hardeman:** Has the ministry done any other value-for-money audits in the ministries?

**Hon. Leona Dombrowsky:** I'm not aware, no—not during my tenure here. I'm not sure what predates me.

**Dr. Bruce Archibald:** There hasn't been any in the last—

**Mr. Ernie Hardeman:** I would just ask that, when you're checking it out, if any have been done I'd like a copy of those and an update on what happened to those.

**Hon. Leona Dombrowsky:** Are you saying over and above what the Provincial Auditor would do in his normal course of responsibility?

**Mr. Ernie Hardeman:** Yes. Different programming or different things that have been audited, as value for money within the ministry. And—I think the deputy may have just answered—the issue of cheques under \$200,000 can, in fact, be issued with the concurrence of one reviewer. They could actually review an inactive report and send out a cheque for \$200,000 or less to themselves. That has now been corrected in your system, that they can't do that anymore?

**Dr. Bruce Archibald:** Agricorp actually has put in place a policy in terms of reviewers' ability to review and make recommendations on files for which they have a direct involvement, but it is an area that we are going to

continue to review with them as a result of the auditor's commenting on that again.

**Mr. Ernie Hardeman:** The other thing that the auditor was somewhat critical of in the overall review was the inability of the farmers—and this is one of the things I hear regularly in my const office from farmers who call and want clarification. They have no idea how Agricorp or the ministry came up with the totals that are there. They're different from the totals that were sent in, and there is no way that the public can understand the program. Could you enlighten me as to what has been done, since you got the auditor's report, to rectify that?

1620

**Hon. Leona Dombrowsky:** I think it's very important that I would clarify. I did ask for the Provincial Auditor to review the operation at Agricorp, provide some recommendations. When I received that in July of this year, I said that I wanted to hear from our stakeholders—producers, people who actually use Agricorp—to look at the auditor's recommendations and get back to me in terms of what recommendations they, as users of the system, think that I should move on first, if at all. That information was due to me by the end of September.

What I say is that we are now in the process of looking at the recommendations from the Provincial Auditor alongside the input we have received from industry stakeholders. I would hope that the honourable member appreciates that we value the direction that has been provided in the recommendations from the Provincial Auditor, but I also value the feedback and the input from industry stakeholders. I will be considering that very carefully. As a result, we have not come forward with our plan in terms of how we will be moving forward after the Provincial Auditor's report.

**Mr. Ernie Hardeman:** I don't disagree with you, Madam Minister. But I would suggest that when you send an auditor in because you have concerns about how the operation is functioning, you put some faith in the report that comes back from the Provincial Auditor when he says, "The auditor noted that the process is so confusing that farmers and their financial institutions are unable to predict support payments. Several agriculture groups have asked to have this resolved." It's pretty clear to me that the ministry, without further consultation, should start looking at how you would fix that problem to make it less confusing, to make it work for farmers. The auditor says that's what the farmers told him. I'm just wondering whether we've started on that yet or whether we're still waiting for the people who were confused to tell you again that they're confused so you can start fixing the problem.

**Hon. Leona Dombrowsky:** What I've tried to indicate is that we are considering the input that we have received from our partners in the industry. As I indicated to your colleague last week, there are some recommendations that have been presented by the auditor that not all of our stakeholders think we should move on or that maybe shouldn't be the priority.

There's no question that this ministry and this government very much want to improve the level of service, and we will do so. We are working on a plan now that will enable us to move forward in a way that is consistent with good accounting practices as well as in a way that reflects the priorities of the people who actually use the system.

I would also want to advise the member that there is a review of the AgriStability program under way at the federal-provincial level. We're trying to weigh how best to invest our time and energy. We want to be sure that we're not going to look at ways to overhaul a system that might in fact change in the not-too-distant future.

There are a lot of things that we're considering at this time. We certainly are committed to improving the level of service that farmers receive. We're very grateful for the report from the Provincial Auditor, and we believe the auditor has given us some very good recommendations to build on.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Hardeman, you've got about two minutes left.

**Mr. Ernie Hardeman:** The question, Madam Minister, is that it's quite obvious that if you have an audit like this, one of the things that the stakeholders would not be supportive of is, when the auditor recommends that, because it's the taxpayers' money, we should try to get back all overpayments—it's not surprising that that's not the number one priority of the people who got the overpayments. But I think those types of recommendations from an auditor should be a high priority for the minister and the ministry. So on behalf of all taxpayers, I want to make sure that we're moving forward on those areas where the industry may not be the first to say, "That's what we should be doing," but I think there is an obligation on behalf of the minister to follow through on what the auditor recommends.

There are a lot of times, when I read the Provincial Auditor's report at the end of the year, that, as a citizen, I may not like the recommendation because it's not positive to every individual. But at the same time, it is the obligation of the government to deal with what their auditor says and to move forward with that approach. I would encourage you to do that, Madam Minister.

**Hon. Leona Dombrowsky:** I would like to respond that certainly the producers, the farmers who receive those payments, they want to repay those payments. There's no question about that.

What I have heard—

**Mr. Ernie Hardeman:** Not the ones I've talked to.

**Hon. Leona Dombrowsky:** The farmers that I have dealt with are very honourable and reputable people, and they don't want to keep money that is not rightfully theirs or that they received because of a calculation. There is an understanding that there will be a payback if there is an overpayment.

What they are saying to me, though, is about the way that those overpayments are recovered. As I indicated to the member's colleague last week, we do have a system of recovery when there are program payments: Those

overpayments are clawed back. What the Provincial Auditor has suggested, and identified as in place in other jurisdictions, is a collection agency. What I'm hearing from farmers is they don't believe that's the very best way to collect overpayments from farmers—by using a collection agency.

**The Vice-Chair (Mr. Garfield Dunlop):** That brings us to within five seconds of the official opposition's rotation.

Now we go to the third party for up to 40 minutes in this cycle. If you recall, we offered them the opportunity this morning, when we banked some time, with the consent of the committee. Mr. Hampton, you have 40 minutes, if you wish.

**Mr. Howard Hampton:** OMAFRA says—and I hope I'm being accurate here—that it aims to strengthen Ontario's agrifood sector in improved food safety. Is that a correct statement of one of the ministry's overall objectives, to strengthen Ontario's agrifood sector and improve food safety?

**Hon. Leona Dombrowsky:** Yes, it is.

**Mr. Howard Hampton:** Could I ask: Has OMAFRA set benchmarks for achieving the goal of improving food safety? Have you actually sat down and set benchmarks so that you can measure whether or not you're improving food safety?

**Hon. Leona Dombrowsky:** What this ministry has done—we have the Haines report. It provided some 113 recommendations, I believe, in terms of how we can build a solid food safety regimen in the province of Ontario.

When I came to this file, I did ask staff at the ministry to consider the recommendations, and some 87 fall to the responsibility of this file. I asked members of my ministry to review all of those 87 recommendations. Of course, we can't do everything all at once, so I did ask them to prioritize those recommendations that obviously would impact on delivering safe, high-quality food to the people of Ontario. As a result of that, we have implemented 71 and we continue to work on 14.

I will say to the honourable member that, certainly, a priority for this government, and it was identified by Justice Haines—to ensure that we have a safe food system, we needed to invest in human resources; we needed to invest in meat inspectors. When we came to government, there were 10 meat inspectors for the entire province. We now have some 107 meat inspectors full-time, and some 63 part-time. That's an example of the commitment that we have made. That is an example of the priority. We believe that by making investments in the field, providing services for those people who actually deliver the food product, that is where we need to begin to build a strong food safety system.

**Mr. Howard Hampton:** So I take it from your answer that you're basically using the Haines report as the benchmark for achieving food safety.

1630

**Hon. Leona Dombrowsky:** I am going to ask my deputy minister to offer some comments, but in addition to the Haines report, we did proclaim the Food Safety



and Quality Act since coming to government. It was passed by a previous government, but it was this government that actually proclaimed it. With that proclamation came the demonstration that it is a priority for this government.

I'm going to ask the deputy minister as well to talk about the initiatives and the work that has been done in this file on food safety.

**Dr. Bruce Archibald:** I think the question was about how we are actually tracking and improving food safety. On our ministry's website, we post the audit ratings of individual abattoirs in terms of their level of compliance, and we track that over time. We also show the tracking in terms of compliance for chemical residues and track that over time. So we've put that out in a very public way to demonstrate the commitment to improving food safety, and also show how we're doing in terms of improvement over a period of time. This is a relatively new initiative, in terms of transparency, but I think it gets at the member's specific question of how we're tracking to demonstrate that we are actually improving the safety of food in Ontario.

**Mr. Howard Hampton:** I just want to emphasize again that there's no trick to this; I just want to understand. It would seem that you're using the Haines report as the benchmark. Mr. Justice Haines set down a number of recommendations. As you point out, a number of those fall directly on OMAFRA. Is that your benchmark? Is that how you're measuring what you're doing and not doing, how you're progressing?

**Hon. Leona Dombrowsky:** It may seem like I'm wordsmithing, but I think Haines is a blueprint as opposed to a benchmark.

**Mr. Howard Hampton:** Okay. Then let me ask you this: Aside from the Haines report, have you set specific targets and timetables for progress? If this is a priority for the ministry, have you said, "Here is where we want to be in this period of time, here is where we want to be by this period of time, here is the target we think we need to meet"? Have you set specific targets and timetables for progress?

**Hon. Leona Dombrowsky:** With respect to the investment we've made in food safety, I'm going to ask staff to speak to the specific investments. As I indicated, when we came to government I did ask for their advice in terms of how we could prioritize our investments with this blueprint. We do want to make sure that the dollars we plan to spend are spent well, but that we do it in a way that we build one investment on the other. That is why one of our initial investments has been to hire meat inspectors. Another investment, of course, has been the \$25 million we have set aside to assist small, independent meat processors comply with new regulations.

We also hired a chief veterinarian, who has joined me here at the table, and tasked this individual with the very specific responsibility of putting together a food safety plan for the province of Ontario. At this time, perhaps I would ask Dr. Deb Stark, from the Ministry of Agriculture, Food and Rural Affairs, to offer some comment on our food safety plan.

**Dr. Deb Stark:** As the minister has indicated, the report of Justice Haines certainly has been the direction we have been following in the past few years. Justice Haines was very clear about some additional standards we had to put in place for free-standing meat processors. We had a four-year time frame to put that in place and have just brought the last of them under this month, so that is on track. As the minister also indicated, we provided capital assistance for them to make the financial investments they needed to come up to speed.

One of the things Justice Haines asked us to do, as you have raised, is to be more clear about performance measures and tracking. We have made significant investments in something we call baseline studies, where we have done studies to understand the level of potential risk that is out there. We are in the process right now of developing performance measures that we will be able to track against. When we have those in place, we'll be able to actually measure that progress in those other areas.

**Mr. Howard Hampton:** Then, am I to take it that there's an actual information-gathering process in place?

**Dr. Deb Stark:** There have been; we do them on a project basis. So we have done them in poultry, pork, dairy and beef, and the results of those are also on our website.

**Mr. Howard Hampton:** Just so I'm clear on this, how is that information gathered?

**Dr. Deb Stark:** We actually go and take samples and then submit them to the laboratory for testing to find out what kinds of risks or contamination might be in those samples.

**Mr. Howard Hampton:** And that's on the website?

**Dr. Deb Stark:** The results are on the website.

**Mr. Howard Hampton:** As I understand it, a further 120 processing plants were added as of October 1.

**Dr. Deb Stark:** Approximately, yes.

**Mr. Howard Hampton:** It seems to me that that's a fairly significant expansion. Can you tell me if any further inspectors have been hired to address that 120-plant addition?

**Dr. Deb Stark:** Yes, we increased the number of inspectors this year—I'm turning to the director of the branch—

*Interjection.*

**Dr. Deb Stark:** —by 12. That is the year-over-year increase. We have increased, as the minister indicated, to 170 inspectors.

**Mr. Howard Hampton:** So those additional 12 are to take account of the 120 further processing plants. Is that what that's about?

**Dr. Deb Stark:** Generally.

**Mr. Howard Hampton:** That's why 12 would have been added, because there are another 120 processing plants?

**Dr. Deb Stark:** Yes. We brought them in in several rounds, and this was the last round, so this was the last increase.

**Mr. Howard Hampton:** So the total now is?

**Dr. Deb Stark:** We have 170 positions.

**Mr. Howard Hampton:** Are those full-time, part-time, contract?

**Dr. Deb Stark:** One hundred and seven full-time and 63 part-time.

**Mr. Howard Hampton:** Is it true that OMAFRA inspectors do not test for BSE—mad cow—in provincially inspected slaughterhouses?

**Dr. Deb Stark:** BSE testing is done by the federal government, the Canadian Food Inspection Agency.

**Mr. Howard Hampton:** So they would inspect provincial facilities?

**Dr. Deb Stark:** The CFIA does not inspect provincial facilities, but samples, if we have the relevant specimens, do go into the federal testing system.

**Mr. Howard Hampton:** I just want to be clear on the mechanism. OMAFRA inspectors—

**Dr. Deb Stark:** We would collect the sample and submit it to the CFIA for testing.

**Mr. Howard Hampton:** And that's for every provincially inspected slaughterhouse?

**Dr. Deb Stark:** Not every animal; just the animals that are part of their testing regime.

**Mr. Howard Hampton:** Okay, the random testing regime. So basically you have to rely on the CFIA for that. You collect the sample and forward it to them, and they have to get back to you.

**Dr. Deb Stark:** Yes, that's correct.

**Mr. Howard Hampton:** Is it true that OMAFRA inspectors do not do swab testing of equipment in cutting rooms and processing plants to check for *Listeria*, *E. coli* and other contaminants?

**Dr. Deb Stark:** We do testing if we have a concern.

**Mr. Howard Hampton:** Only if you have a concern.

**Dr. Deb Stark:** Yes.

**Mr. Howard Hampton:** I guess the natural question would be: How does a concern arise? I think we all know how one concern has arisen. How would a concern arise?

**Dr. Deb Stark:** When the inspectors go into the plant—and it differs if it is an abattoir, which handles live animals, or a free-standing meat plant, which handles further processed product. The inspector goes in and, before anything starts up, they do a pre-inspection to see whether the sanitation has happened, the record-keeping is there, the proper employees are there. In the case of an abattoir, they then inspect the live animals and actually watch the processing itself. If they have any concerns, if they see anything, if they hear of anything, they would take appropriate samples at that time, not just for *Listeria*, but any kind of a concern that might be a food safety risk. If they have enough concern, they'll actually stop the line until that concern has been addressed.

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**Mr. Howard Hampton:** I want to focus for the time being not so much on the slaughterhouses, but the processing plants. If I can refer to the events that we all know about, I acknowledge that this was the federal testing regime, that the routine tests you're talking about were always being carried out, but there was no swab testing of the equipment in cutting rooms and the actual

processing equipment. In other words, the routine stuff was being done, but despite that routine stuff, something very serious happened. I guess I'm asking, what is done by OMAFRA?

**Dr. Deb Stark:** We too like to learn from some of the events that happen. When that *Listeria* outbreak did occur, we immediately provided all the information that we had from the Canadian Food Inspection Agency, because everyone was learning at that time what might be happening. So as we had that information, we shared that. We know that with this particular organism, the real risk has a lot to do with sanitation and cleaning. We actually provided our own material, which we distributed to all the plant operators. Then we had our inspectors specifically visit all the operators in our province that would have similar systems in place creating similar products, just to make sure that they understood the risks and they understood that sanitation was a solution.

One of the things that we are bringing on this fall is the microbiological testing that you're referring to. We understand that that's a piece that needs to happen. If you'll recall, in 2005 none of these plants were under our regime. They were under the public health regime. We've been bringing them up in waves. We've just brought the last one on. Now that we have some of the fundamentals in place, we will continue to make sure that we raise the bar, and as standards change, we'll continue to implement them.

**Mr. Howard Hampton:** Just so I'm clear, this was done after the *Listeria* outbreak?

**Dr. Deb Stark:** The plan to put the testing in place was always planned for this fall. We had always intended to do so and we continue to plan to do so this fall. The other things I talked to you about, the educational pieces—we call it the teachable moment, when people are focused on the problem and want to know what they can do to prevent it, and we take advantage of that—were, yes, because of the *Listeria* outbreak.

**Mr. Howard Hampton:** I can then take it that the more detailed inspections that actually revealed the source of the *Listeria* and the fact that *Listeria* had contaminated many of the cutting machines, as I understood it, even in their internal parts—that kind of testing is happening now in OMAFRA-inspected meat processing plants in Ontario?

**Dr. Deb Stark:** No, not at this moment. It is our plan to incorporate testing. We have had initial conversations with the industry. We have developed the scheme—how many tests you have to take, what you do with the results, how that works—but we have not implemented it yet.

**Mr. Howard Hampton:** So meat processing plants that fall under OMAFRA for inspection, as things stand today, are still vulnerable to the sort of thing that happened at Maple Leaf Foods.

**Dr. Deb Stark:** Plants that are under our inspection regime right now are required to put the kinds of sanitation and disinfection programs in place that would prevent what happened at Maple Leaf Foods. There are no guarantees, as Maple Leaf found out. But they are



certainly expected to have those sanitation systems in place, and we do have the inspection system in place to make sure that that sanitation is happening.

**Mr. Howard Hampton:** But the actual inspection of the equipment and the tests—

**Dr. Deb Stark:** The inspection of the equipment is in place. It's that final, as you say, test that is not there.

**Mr. Howard Hampton:** Okay. Is it true that OMAFRA inspectors do not do random sampling and testing of ready-to-eat foods as they come off the production line?

**Dr. Deb Stark:** That's correct.

**Mr. Howard Hampton:** We're talking about processed meats and so on.

**Dr. Deb Stark:** That's part of the piece that will be coming in this fall.

**Mr. Howard Hampton:** So you actually will have random sampling and testing of ready-to-eat foods.

**Dr. Deb Stark:** Will it be random?

**Interjection:** Within a sampling plan, yes.

**Dr. Deb Stark:** So we will have a sampling plan, and within that plan it will be random, yes. Over time, it will not be because we intend to move to a risk-based program where areas and plants that have higher risks will be held to higher scrutiny than plants that won't.

**Mr. Howard Hampton:** I guess I repeat my question—you could literally have processed meats come off a production line of a plant that is under OMAFRA's scheme of inspection and there would be no inspection of those meats at the present time. They would just simply go through the system and could wind up on the shelf.

**Dr. Deb Stark:** The inspection would be around the handling, the disinfection and the system itself.

**Mr. Howard Hampton:** Okay. I want to be very clear on this because I think everyone was quite shocked by what happened with Maple Leaf Foods. As I understand it, the whole regime about the maintenance of the equipment, how the equipment had to be cleaned—in fact how it had to be taken apart to be cleaned properly, the internal workings. All of that has been put in place—actually I want to be careful here. All of that was discovered in the Maple Leaf debacle. Is that a fair statement?

**Dr. Deb Stark:** I have not seen an official conclusion. There was information provided by the Canadian Food Inspection Agency that said, "We're certainly concerned about some pieces of equipment and how they may have been cleaned or not able to be cleaned," and some recommendations if an operator had that particular type of equipment, and that information is what we passed on. But again, I'm not aware of any absolute, firm conclusion that that was the whole problem. It's my understanding there will actually be an investigation by the federal government partially to try and understand some of that.

Certainly I think, as you say, the cleanliness of the equipment, understanding how this particular machine operated and where some of the risks were was new information for people, and again we took that quite seriously. Our plants tend to be smaller than the Maple Leaf plant. They tend not to actually have the machine that's

in Maple Leaf, but the fundamental message holds true for all plant operators. You have to be extremely scrupulous in your disinfection.

**Mr. Howard Hampton:** I just want to be clear: When will this random sampling and testing of ready-to-eat processed meats and processed foods be in place in OMAFRA-inspected plants?

**Dr. Deb Stark:** Our intent is to roll that out this fall.

**Mr. Howard Hampton:** This fall?

**Dr. Deb Stark:** Yes.

**Mr. Howard Hampton:** Okay. You can be sure that we'll want to come back and check on that.

Are there plans to hire additional senior inspectors to assist overworked area managers, which I believe is one of the specific recommendations of Mr. Justice Haines?

**Dr. Deb Stark:** Justice Haines recommended that we expand the number of area managers. We did that. I believe we exceeded his number by one. We are seriously looking at the concept of a senior inspector, but a decision has not been taken.

**Mr. Howard Hampton:** So the answer to that one is "no" at this time?

**Dr. Deb Stark:** Under consideration.

**Mr. Howard Hampton:** I want to make sure I'm correct here. For 2006-07, 89% of abattoirs had a rating of A or above and 92% of FSMPs—I gather that's free-standing meat processors—had a rating of A or above. Do you have the figures for 2007-08 yet?

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**Dr. Deb Stark:** We will get them if we can. I do not have them with me.

**Mr. Howard Hampton:** Okay, and if you have them, you'll table them ASAP?

**Dr. Deb Stark:** Yes.

**Mr. Howard Hampton:** Okay. In 2006-07, the performance measure for non-compliance with food safety standards assessed during audits in provincially licensed meat plants was 10.8%, compared to the baseline of 19.1% in 2000-01. We've gone through some of these.

**Dr. Deb Stark:** I'm sorry, I didn't quite catch all of that.

**Mr. Howard Hampton:** It's just the performance measure for non-compliance with food safety standards. As I understand it, you do the annual audits and then you sit down and you publish the figures. I understand the non-compliance figure for 2000-01 was 19.1%; for 2006-07 it was 10.8% in non-compliance. One of the numbers I'd be specifically interested in: What is the equivalent figure for 2007-08? Is non-compliance coming down, is it going up, is it stuck?

**Dr. Deb Stark:** Okay.

**Mr. Howard Hampton:** I guess the other question I'd ask is, are the 2007-08 figures for the testing of meat carcasses, raw meats, smoked meats and water and ice samples available?

**Dr. Deb Stark:** We'll get them if we have them.

**Mr. Howard Hampton:** Okay. Because of the part of the province I come from, the minister and I have had a go-round and the deputy and I have had a bit of a go-

round on this. Does the ministry have a process in place to comprehensively identify all meat processing plants in the province? If Joe Brown opens up a meat processing plant, what's the process whereby you learn about this? What's the process to ensure everyone falls within the inspection regime and the Ministry of Agriculture, Food and Rural Affairs is all-seeing and all-knowing on these issues?

**Dr. Deb Stark:** We had an inventory several years ago, which we actually just updated this summer. A lot of our information now, quite honestly, comes from word of mouth. So our inspectors and our managers are in the communities. The licensed operators are often very interested in making sure that you know that their competition next door is not licensed, so they pass that on. Those are the things that we do.

**Hon. Leona Dombrowsky:** We have also been working in partnership with the Ontario Independent Meat Processors. That association has been particularly helpful, both to this government and I think to its members, in providing them with information around programs that they might access, for example, to assist them with compliance of new regulations.

**Mr. Howard Hampton:** But there's still some hit and miss to this. You could have a meat processor or somebody who's doing meat processing and they can fall outside OMAFRA completely. Is that fair to say?

**Dr. Deb Stark:** It's always possible.

**Mr. Howard Hampton:** The responsibility for food safety is split between the Ministry of Agriculture and Rural Affairs and the Ministry of Health and Long-Term Care. Now, one of Mr. Justice Haines's recommendations was to create a single food inspection agency. I think he called this the next logical step in modernizing the food safety system in Ontario. Is there a plan to create a single food inspection agency as Mr. Justice Haines recommended, or are we going to continue to see that some of this falls within the Ministry of Health and Long-Term Care and some falls within OMAFRA?

**Hon. Leona Dombrowsky:** What I can say—and I indicated earlier in my remarks to the member—is that I have asked staff to consider all of the recommendations of Justice Haines and to return with a priority list. I think it's fair to say that we really believe that putting meat inspectors in the field was perhaps more of a priority, certainly for those people in the abattoirs and in the free-standing meat processors. They wanted those folks in the field. So that has been where we focused our energy.

Justice Haines also indicated that we should consider this type of agency in Ontario. I think it's fair to say that in light of all that has happened with respect to food safety in this country and in this province, we're looking very carefully at the fact that there has been a food inspection agency federally, the role that it has played, the role that such an agency might play in the province of Ontario as we consider, just as Justice Haines suggested we should, whether or not to implement one in the province of Ontario.

**Mr. Howard Hampton:** I think we all agree that not just the events within Canada but the events outside of

Canada have heightened public awareness of the need for better food safety systems. Mr. Justice Haines may have been ahead of his time in terms of his recommendation, given what we've seen over the last six months or so.

The other questions I have in relation to this—and I must confess I don't know all the ins and outs; I'm interested to learn the ins and outs. We have had a lot of concern raised about imported food, food that appears on the store shelf. So what is the process for ensuring that food which comes from outside of Canada meets Ontario's health, labour and environmental standards? Does that all fall on the federal government?

**Hon. Leona Dombrowsky:** That is, in fact, the case. I would say to the honourable member that that is something that is regularly brought to the table at our federal-provincial meetings. It's an issue certainly in the province of Ontario, and indeed across Canada. Our producers, our stakeholders, as you would know, are very concerned that they are held to a level, a regulatory regimen, because they do want to produce the safest and best-quality food. Then they find, when they go grocery shopping, that there are food products from other jurisdictions where the producers have not had to meet the same regulatory rigour. Their products are in our stores. This is something that we raise at the federal table very regularly. We continue to be hopeful that the federal government will look to address that.

I would offer that a good first step was taken when the labelling change was made for food products that would be made in Canada. That was certainly very well received in the industry. As I indicated, it's a good first step, but there certainly is more to do. But yes, it is a federal responsibility.

**Mr. Howard Hampton:** The follow-up question I have on this is, does the province lack legal jurisdiction on this front?

**Hon. Leona Dombrowsky:** I'm going to ask the deputy to respond to that.

**Dr. Bruce Archibald:** I'm not sure that I—in terms of do we have a legal ability to test foods coming in from outside the country in terms of meeting standards, the regulation that sets the guidelines in terms of contaminants is a federal statute. If we were to test these things and found a violation, we would have to report it to the federal government. So there's nothing that would prevent us from testing things, because you can do surveys, but any violation that you'd find under the Food and Drugs Act, we would have to report to the Canadian Food Inspection Agency, because they're the ones that actually have the legislative authority to deal with those kinds of non-compliance.

**Mr. Howard Hampton:** I want to be very clear on this, because I think this is going to become a bigger issue. Ontario farmers produce food. If it goes to a provincially inspected plant, they will have to meet all of Ontario's regulations. We've already seen circumstances where food has been withdrawn. I think we've seen examples—provincially inspected and federally inspected. Maple Leaf is probably the largest federally inspected



example we have. We've had repeated reports of food that has been produced or processed in other countries coming to Canada, and going to other countries as well. The latest thing I heard of was chocolates that were laced with—

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**Hon. Leona Dombrowsky:** Melamine.

**Mr. Howard Hampton:** Is it melamine?

There are real issues about the health effects of that. So can it conceivably happen that food, if it were produced in Ontario and had to go through the provincial inspection system, would not be allowed on the shelves of stores, but food that is produced outside the country would be, even though it might not meet the same standards, or even have less standards? That's the situation we're in?

**Hon. Leona Dombrowsky:** That would be the situation we're in.

**Mr. Howard Hampton:** I think this is pretty serious. What is being done, given that there have been so many reports of foods that have been processed elsewhere in the world that are not just a risk to human health but identified threats to human health? What is being done to protect the public in Ontario?

**Hon. Leona Dombrowsky:** As I've indicated, this is an issue that we continue to bring to the attention of our federal partner that has the responsibility of dealing with food safety issues of products coming into Canada from other countries.

The other part I would offer is that we have embarked on a very ambitious Buy Ontario strategy. We want the people of Ontario to know that there are a lot of good reasons that it's in their better interest to prefer Ontario food products, because they are safer and are of top quality. We've also worked with Foodland Ontario and with our partners. The member would know that for 30-some years, Foodland Ontario identified fruit and vegetable products from Ontario. We have now expanded that so that a Foodland sticker can go on Ontario pork, Ontario eggs, and other processed products that have come from Ontario. This is a way of assisting the consumer (1) to understand that if they want the best and the safest, they should prefer Ontario, and (2) by developing that brand, we're also supporting our local economies and our producers. We believe that that is one way to begin to address—for example, we had bean sprouts from offshore that had *E. coli*; there have been other leaf products from the United States and tomatoes from other jurisdictions that had *E. coli*. Again, we believe that when we remind Ontarians to prefer Ontario products, that's the best way there is to access safe, quality food.

**The Vice-Chair (Mr. Garfield Dunlop):** We have about two and a half minutes. The leader of the third party.

**Mr. Howard Hampton:** I have a related question. Despite the recent listeria outbreak, it's my understanding that OMAFRA continues to allow the use of pathogenic sewage sludge as fertilizer on farmland and pastures. I'm told—I'm not the researcher, but I did some

reading—that the research shows that listeria is found in sewage sludge and that listeria contamination of sludge spread on farmlands lasts for several months after the sludge has been spread. How is spreading sludge laden with listeria on farmlands consistent with food safety and public health protection?

**Hon. Leona Dombrowsky:** I'm going to ask Dr. Stark to respond, please.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got about a minute and a half to try to get this cleaned up—

**Dr. Deb Stark:** I'll try. The responsibility for setting the standards for that is within the Ministry of the Environment, but we do work with them. We have something called a biosolids utilization committee. We believe there's actually great value in taking proper material, that could otherwise just be waste, and putting it on farmland. That can reduce a farmer's fertilizer costs by \$60 to \$100. It's also a good way for the municipality to get rid of this product, assuming, again, that it is safe product. So a municipality or whoever wants to do this has to put a proposal to the committee, where it is evaluated to make sure that standards are met, and these are set out, as I say, by the Ministry of the Environment, not OMAFRA.

**Mr. Howard Hampton:** I'll have time to do the follow-up later.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. So thank you very much, to the leader of the third party. Now the government rotation, Mr. Craitor.

**Mr. Kim Craitor:** Minister, I'm pleased to have an opportunity to ask you this question. Before I do that, this is a difficult question for me to ask. First, let me just say before I do that, earlier today you mentioned the Vine-land Research Station, and that is generally in the area I represent—Niagara Falls, Niagara-on-the-Lake and Fort Erie. It was so well received and so I need to, just for the record, say congratulations. That was a great investment. Many of the people who were on that board that gave you the advice that that was the way to go are people whom I know personally, and it was great advice they gave you.

I want to just talk to you about an extremely sad situation we had in my riding, in Niagara-on-the-Lake, particularly St. Davids. We had the closure of the last fruit canning plant called CanGro, and to tell you, Minister, when I was a kid, I worked there, so I know that place inside out. That was a particularly sad situation, and just to quickly share with you, it seems like it was yesterday. I had some ministers in there to look at it because I was so proud of that canning plant. It was doing so well.

A couple of years ago, Kraft Foods sold that plant to another company in the States, and I was reassured by this new company that it was business as usual and things would continue on. I remember getting a phone call some time, I think, in January from the local newspaper. They wanted me to comment on the closing of CanGro. I remember I was quite shocked and said, "No, that's not happening." The reporter said, "I'll fax you the press release." I realized he was quite serious. He faxed me over this press release, which I read, and I was just

shocked at what I was reading. I said this can't be happening. I would think the company would call somebody, whether it was the local MPP or the mayor or someone to say, "We've got some challenges. Can we work together?" But that didn't happen. I actually called that number—it was an American number that I called down in the States—to try to talk to the signature on the bottom of the press release to say, "Can we get together? Can we talk? Our government is interested in working with you. How do we do that?" I probably made 50 phone calls and never got one back.

I then made a point of going in to visit the plant and I sat with the workers. I remember sitting with them for about an hour and a half. They were shocked. They said the company had never come to them, had never asked for any concessions or, "Can we work together?" One of the things—and you touched on it and I didn't even know this. They produced products under the name of Del Monte and Aylmer. I remember one worker taking a can of peaches and saying, "Kim, look at this can. What does it say?" I read a few things on the label and she said, "No. Do you see where it says 'Product of Canada' on it?" I said, "Well, that's ours, that's great." She says, "No, it isn't. Do you know that as long as what it takes to manufacture that can"—which could be the label, could be the tin, could be the transportation costs and the peaches that are inside of it—"adds up to 51%, you get that label put on the can."

I remember writing a letter myself, personally, to the Prime Minister, just out of frustration, saying, "This is inappropriate. This doesn't make sense." As you said, there was an announcement shortly after. The Prime Minister was in Vineland and made the announcement that they were looking at changing the labelling.

Before I ask the question, this is my personal feeling. I've come to the conclusion that that particular company bought that business two years ago to get the label. I firmly believe they wanted the Del Monte label and the Aylmer label. They now have it. They sold the plant. It's available, but you can't have the label. They would not sell the labels. So they can take those labels and produce that product anywhere else if they want to. That's what I firmly believe: They had no intention of working with any government—municipal, federal or with us—to keep the plant going. That's very frustrating to me, that sometimes governments, no matter which one we are, can't stop a plant from closing if they don't want to stay open. That, to me, was a prime example. So I'm blaming no one for this.

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But I wanted to ask you a couple of things. That really had an impact on our growers. I think there were about 148 growers on the American side and on the Canadian side. It was both that were affected, who deliver their products to CanGro for canning peaches. So just a couple of short questions: One is, if you could outline some of the things that you're doing to at least help support our food processing industry. I know we took some efforts up here, and I know your office did, to try to see if we could

assist or stop the closure of CanGro. Maybe you could just touch on some of those things as well.

**Hon. Leona Dombrowsky:** I certainly appreciate the honourable member's story about a food processing facility that is very well known in his community, but I would also offer, indeed across the province. I heard from many people from across Ontario who were disturbed that this facility ceased to produce the quality fruit products that we have in the province of Ontario. I appreciate the opinions that have been offered by the honourable member with respect to the company and why it made the decisions that it did and so on. I certainly can appreciate that he has, because he lives in the community, I would offer, a keen sense of what in fact did unfold there, and I respect that.

What I can also say to the honourable member is that the Ministry of Agriculture, Food and Rural Affairs, because we're very concerned with the growers and the quality processed food that was not going to be processed here, along with the Ministry of Economic Development and Trade, certainly did have discussions with the previous owner of the facility to try and understand if there were programs that we had in place that might assist or enable them to keep the facility open. But clearly, it was a not a part of their business plan, and that is truly regrettable.

What I have said—I know what the Minister of Economic Development and Trade has said, the previous one, and I believe the present one as well—is that as a government, we are committed to work with the owner of this facility—there has been a purchase of the facility—should there be a plan that would promote a viable processing facility. We're very prepared to sit down and do what we can with the programs that we have available. There's no question that for—and I'm going to speak about the producers of the quality fruit product that was processed there. As a government, we have worked very hard and we've listened very carefully to their representatives to understand how best we can support them in this challenging time. The member has identified our investment in Vineland. There's no question we believe that by making investments in research and innovation, that will provide producers in the region with some strong options in terms of opportunities that they might want for the future for their land: a different fruit, a different fruit line, a harder one. There is a wide range of considerations that are made.

I have some information here about the fact that we have worked with more than 20 stakeholder groups from across the province to stage a one-month promotion for Ontario pears. You may have encountered this promotion; it's called Pear Up Ontario—and there has been a tremendous response to this. I am going to ask the deputy minister to provide just a little bit of information, some feedback that he has received and some information around how, in the face of challenge, there are folks out there who are prepared to transition, to do things differently and are doing so with some success.

**Dr. Bruce Archibald:** As the minister said, we worked with our various partners in terms of rural eco-



conomic development to look at opportunities in terms of whether or not there could be a buyer for the facility and continuing on.

At the same time, we also did some work with the industry in terms of what the opportunities were for import replacement. One of the things that I found actually quite amazing is that even in peak season for peaches and pears in this province we were still importing pears and peaches from other countries, so there was a great opportunity to work at import replacement. The good news on that is that on a per acre basis, it's more profitable to sell crops into the fresh market than it is into the processing market.

The minister did make a commitment to the industry to work through our Foodland Ontario program to promote the purchase of fresh pears and peaches. We had a very successful launch of the Pear Up program. It was anticipated that there would be 3,400 tonnes of Bartlett pears as a result of the closure of CanGro that could go into this program. Because of weather conditions, it turned out that there was 2,700 tonnes actually available.

We provided some assistance to the industry to help them source out places to store the crop, but as a result, the response by the retailers and the public to purchase Ontario pears was much greater than expected and the good news was that by mid-October, all the crop had been marketed. We were able to take a crop that looked like it was going to be displaced back in the early part of the year, work in terms of promoting it for a fresh market, work with the industry, and because of a great response on the part of retailers and the public, market successfully all of the crop that was there. I think, while there's no doubt that the closure of the CanGro facility has created some real hardship down in that part of the community, that there are also opportunities.

We're also working with the industry and with the federal government to help industry look at where there are opportunities in terms of new crops and develop strategies for that, and there is a program available under the federal-provincial agricultural policy programming that will provide some assistance of \$1,600 per acre for growers who wish to remove varieties which may not be as profitable and then strategize in terms of putting in new varieties. I just want to re-emphasize for the member—this may be a surprise to him; it certainly was to me—the extent of the opportunity, even in the month of August, where we can replace imported peaches and pears that come into this province with local produce.

**The Vice-Chair (Mr. Garfield Dunlop):** Further questions?

**Mrs. Maria Van Bommel:** Minister, grains and oilseed prices have certainly improved this year over what they have been in the last few years, and a number of my farmers, in terms of dealing with the risks that they face every day, of course, make every effort they can to reduce costs and try to garner the best prices they can find. This year, livestock and horticulture have been having a particularly difficult time, and this is very typical of the agricultural cycle. It seems that when

grains and oilseeds are doing better, then the livestock and horticulture sectors are suffering more.

Could you just talk to us a little bit about the kinds of risk management programs that we have for the livestock and horticulture sectors and what we can do to help some of these farmers through this part of the cycle? As I say, this is a very cyclical nature within the agriculture sector. How would we address some of those issues there?

1720

**Hon. Leona Dombrowsky:** This has been a situation in the cattle, hog and hort sector for some years. That is why, of course, last year our government did earmark \$150 million for investments to assist and support those farmers, both directly and indirectly. Also, in the province of Ontario, we have a business risk management program, and it is one that we share with the federal government. This is a program that is applied across Canada. There is an agreement. Just recently, we committed to another five-year agreement with our federal partner and all of the other provinces that we would continue an arrangement where producers can participate in AgriStability, as well as production insurance. They apply, they have to pay a fee. Based on the dollar values that they provide, they may receive a payment, 60% of which would come from the federal government and 40% from the provincial government.

Because this is new, I want to be very clear and specific that the new suite of business risk management programs under the Growing Forward initiative includes the core programs of AgriInvest, AgriStability and AgriInsurance. If you have any particular questions about any of those, we certainly have lots of folks here today who would be happy to give you a very fulsome explanation.

The AgriInvest program is a savings account for producers, where producers deposit into an account and they are matched by the government up to 1.5% of their allowable net sales. It sort of goes to a point, I think, that we touched on earlier with another question: It is a very complicated program, and it points to a reason why the Provincial Auditor might suggest that there might be an agent that would assist producers in their application to participate in this program.

The AgriStability program is a margin-based stabilization program that replaces income for producers for margin declines of more than 15% than their historical average.

The AgriInsurance program is the new name for the current production insurance program, as I referred to it earlier, which protects producers from yield reductions and crop losses caused by adverse weather conditions and other insured perils. While production insurance relates to crops—and you did ask specifically about livestock and horticulture—if livestock producers grow their own feed, then that's how production insurance would be an additional resource for them.

Of the programs that I've talked about, AgriStability is the program intended to assist producers in dealing with the challenges of high input costs and low prices. The AgriStability program is specifically tailored to each

individual producer's situation. Program payments are based on farm financial performance and are determined from information provided by producers for income tax purposes. It's an important way to explain or demonstrate why producers do have to wait, when there is a difficult year, for payments that would be intended to support their operation for that year—because we do have to wait for that tax information to be submitted. When producers come to us for rather immediate or emergency assistance, they sometimes suggest that governments use other vehicles than this vehicle to deliver program dollars, because of that time situation.

**The Vice-Chair (Mr. Garfield Dunlop):** We have a minute left if you've got a quick question that you want to ask the minister.

**Mr. Lou Rinaldi:** No. If it's just a minute, that's okay.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Thank you very much, Minister, and to the government members.

Back to Mr. Hardeman for the third party.

**Mr. Ernie Hardeman:** Thank you very much, Madam Minister. I want to just quickly go back to the situation in Niagara and the problems that we had with the closing of industries. Obviously, that's not the fault of the Ministry of Agriculture, Food and Rural Affairs or the people in Niagara. But in June 2007, the ministry did give \$3.8 million to help the people who were affected by the Cadbury Schweppes plant in St. Catharines when it closed and they couldn't get rid of their juice grapes. The ministry came up with the money to help remove the grapes from the vineyards, to help those producers, but in British Columbia a similar situation took place and they also included money to help replant the trees. There have been questions from the grape producers as to why that wasn't included in Ontario's program so they could get into wine grapes or some other commodity that they could grow on that soil. Whether you have juice grapes or nothing on that soil, everything remains the same unless you can find another crop that's going to produce some revenues.

I wonder, if you have a plan to help with that, if you could enlighten us as to what that might be, what these people are supposed to do now that they've had their grape vines taken out and they can't afford to proceed from there.

**Hon. Leona Dombrowsky:** I thank the member for the question and I'm going to ask my deputy to provide some information in terms of the various programs that have been in place to assist producers.

With respect to the closure of the Cadbury Schweppes facility, it did mean that there was no longer a demand locally for juice grapes. The dollars that came from this province were to assist with the cost of pulling out. Over the course of time, many of the juice grape growers had already begun to transition to the production of other fruits that would enable their business operations to be profitable. We continue to be of that mind and will continue to support those kinds of investments.

When we speak with leaders from that sector, again, they make it very clear that the very best way a government can support the industry for the long term is by investing in research and innovation. So I appreciate that there have been jurisdictions in other parts of Canada that have chosen to support their industry and make investments in different areas. I would offer that there has been no province in Canada that has had the commitment or made the investment in the area of research and innovation as in the province of Ontario, particularly as it relates to the vineyard and tree fruit industry. That is where we chose to focus our investment, in the Vineland Research Station, because producers in the region would say that they want the kind of research behind the product they would invest in that they can be confident will deliver profits for their operation.

**Mr. Ernie Hardeman:** Thank you very much, Madam Minister. I just want to point out that the question was in fact from the chairman of the Ontario Tender Fruit Producers Marketing Board. It wasn't my question; they wanted to know whether there was an approach in place to deal with that.

The other thing that they were wanting to know, and we heard about it from Mr. Craitor, was about the content rules and the fact that in wine—and again, that's the other side. If we planted the vineyards with wine grapes, we would have more of those, but we have this problem that wines with 75% locally grown product can be labeled "Product of Canada," and for "cellared in Canada," you only need 30% of Ontario grape juice in the wine. The question was, would the minister support moving that number up so in fact we could use more of our own grapes?

1730

**Hon. Leona Dombrowsky:** First of all, I want to make it very clear that I'm aware of what the individual that the member referred to has asked for, but I thought that I was providing for the member—yes, we get lots of asks, as the member would know, having sat in this chair. So it's a matter of balance. We do need to consider, if we have X amount of dollars, where we want to make those investments. With respect to the Vineland committee that brought recommendations to me, there was a farmer from Vineland who was also part of the shaping of those recommendations.

With respect to the wine content act, I think that our government has made it very clear: We want to promote Ontario products. With respect to labelling, I think, as with the response that I provided to the member from Kenora-Rainy River, much of that is a federal responsibility.

The changing of the wine content act happened because grape growers asked us to change it. The reason why that happened: There were two years in the province of Ontario after the year 2000—I think it was 2003 and 2005—when there were short crops, which meant that the grape growers were not able to meet the commitment that they had; the grapes that were raised were not sufficient to meet the content that was identified in the act at that time. The grape growers recognized that for the wine



producers, many of these producers produce VQA, and in order for them to maintain their VQA stock and still do some of their celled work, there needed to be some changes. So the grape growers were very supportive of that. I have to say, at this point in time, it's my understanding—and we will continue to work with the grape growers and the wine council—with respect to the wine content act as it is now, it is because the grape growers, the growers of grapes in the province, have asked that it would be there.

**Mr. Ernie Hardeman:** Madam Minister, you mentioned the VQA, but my understanding is that in fact VQA is all Ontario grape.

**Hon. Leona Dombrowsky:** That's correct.

**Mr. Ernie Hardeman:** So it has no bearing on this—it has to be 100% Ontario to be VQA?

**Hon. Leona Dombrowsky:** Yes. Well, it's very difficult to say it has no bearing, because it can happen that the grapes that are used for VQA—they are all from Ontario. Some of the producers that produce VQA also produce celled. In order for them to maintain their VQA, it meant that in order to produce their celled, they needed to include more product that didn't come from Ontario.

**Mr. Ernie Hardeman:** Thank you. The other thing, and I think it was mentioned earlier, too, from the other side, is the issue of the support program for horticulture, what was the self-directed risk management program prior to CAIS and the agriculture policy framework coming into play that was signed by Minister Peters and Minister Vanclief a number of years ago.

At that time, all parties agreed that the market revenue program for grains and oilseeds and the self-directed risk management would stay in place and that the two groups should go out and develop a program that would fit with the CAIS program, and then that would be implemented. I think at the time it was suggested to the horticulture people that the self-directed risk management would stay in place until such time as the replacement program was designed and implemented.

My understanding is, and I stand to be corrected, that for the year 2006-07, the self-directed risk management is still in place, but there is no word yet on what we're going to do for 2008. Is that correct?

**Hon. Leona Dombrowsky:** I'm going to ask the deputy to respond, but I also want to comment.

**Dr. Bruce Archibald:** The intent of the self-directed risk management program was that there were many small horticultural commodities that didn't have enough acreage to have a viable production insurance program, or AgriInsurance program under its current name. That's why the concept of a self-directed risk management program was put in place in the first agriculture policy framework. There has been considerable work done by Agricorp and the industry to try to develop programs for more horticultural commodities. For many of them, there are ones in place now that weren't when the APF was first developed.

Because there were still a number of commodities that didn't have viable production insurance programs, the

province committed to extending self-directed risk management for horticultural crops for our 40% share and asked the federal government to match it. To date, the federal government has not done that. We are currently in discussions with the federal government in terms of the specifics of the Growing Forward agreement, which is the next generation of the ag policy framework, in terms of various programs we can put in place. There isn't a program in place for next year at this time, although there are still discussions in terms of how much flexibility there will be. To date, the federal government has not been a willing partner with us in terms of the SDRM program.

**Hon. Leona Dombrowsky:** Also, with respect to the self-directed risk management program, I'm very happy that the member brought this up. With respect to the pullout program, we did provide self-directed risk management when no other province did, so I would offer that. The industry has had some opportunity to make investments in a replant with provincial dollars.

**Mr. Ernie Hardeman:** I just want to go back to the self-directed risk management program as it existed. My understanding is that in 2006 and 2007, it was paid out as it always had been. Is it only for 2008 that we're having trouble with the federal government being a partner in it?

**Dr. Bruce Archibald:** No. For the last two years, the federal government has not participated, so only the provincial share, 40% of the eligible calculation, has been paid. For the 2006 and 2007 production years, only 40% of the program has been paid, and the federal government has not matched us on that program.

**Mr. Ernie Hardeman:** Is the provincial government now not going to pay to 2008 at 40%?

**Dr. Bruce Archibald:** We're still in discussions with the federal government in terms of the implementation agreement for Growing Forward, so I don't think a decision has been made at this time.

**Mr. Ernie Hardeman:** I guess I'm not getting my question quite clear enough. In 2006 and 2007, the ministry paid 40% and the federal government did not pay.

**Dr. Bruce Archibald:** Correct.

**Mr. Ernie Hardeman:** In 2008, we're in discussions to try to get 100% as opposed to 40%, but the provincial government has not yet committed its 40% either?

**Dr. Bruce Archibald:** We haven't actually completed the implementation agreement on any of the programs.

**Mr. Ernie Hardeman:** If it was just the 40%, you wouldn't need an agreement. You could just give the 40%, as you did in the other two years; you didn't have an agreement for that either.

**Dr. Bruce Archibald:** No, but we did ask for credit for our contribution in those areas. They chose not to participate with us, but as part of our negotiation, we said we wanted credit for those expenditures in the overall 60-40 envelope. Every single program doesn't have to be 60-40, as long as at the end of the day, for all the programs in aggregate, we pay 40% of the cost and the federal government pays 60% of the cost.

Another example you mentioned was the special program we did for the pullout of juice grapes, the concords and labruscas. We paid 100% of that cost. The federal government gave us credit for that in future programming. Because we needed to move very quickly, that was part of the negotiation we had with them, but we haven't completed the negotiations yet on the current implementation agreement.

**Mr. Ernie Hardeman:** Did I just hear that if you get credit, then in the big picture you balance it all out and on total expenditures it will come out that the provincial government pays 40% and the federal government pays 60% of the total package? Is that what credit means?

**Dr. Bruce Archibald:** You have to get their approval—

**Mr. Ernie Hardeman:** But when you have their approval, credit means the balance at the end of the big picture; the provincial government pays 40% and the federal government pays 60%. Is that right?

**Dr. Bruce Archibald:** Yes.

**Mr. Ernie Hardeman:** So that would mean that if you put it all together in a big basket, and when you get through you take it out and lay it on the table, we've spent 40% and the federal government has spent 60%?

**Dr. Bruce Archibald:** In fact, we've spent more than 40%, in Ontario's situation.

**Mr. Ernie Hardeman:** If you've spent more than 40%, then why do you need the credit?

**Dr. Bruce Archibald:** If we don't get pre-approval for it, then you put at risk whether or not they're going to let you put it to credit.

**Mr. Ernie Hardeman:** But you don't need the credit, because you're over 40% anyway.

**Dr. Bruce Archibald:** But we always ask for them to match us on all these programs. We are still hopeful that they actually fund the 60% for the SDRM for those last two years.

**Mr. Ernie Hardeman:** The other issue that came to our attention is that because of the closing of the processing plants in Niagara, particularly with the tender fruit industry, obviously we're encouraging more on-farm processing and direct marketing and so forth, but there's a lot of concern about the taxation that applies; as soon as the farmer starts doing that, all of a sudden municipalities have the right to charge industrial or commercial tax on that property.

Has the minister done anything to try to solve that problem? I know it has been solved for maple syrup and for a number of other things, but it hasn't been for the tender fruit sector. I wonder if there's anything in the works to do that.

**Hon. Leona Dombrowsky:** I thank the member for the question, because it is an important one. He is very correct when he identifies that industry partners and our government do all we can to encourage and support on-farm value added; there's no question that that does add to the viability of any farm operation.

We have been, and continue to be, in discussions with the Ministry of Finance around the treatment of various farm facilities that assist in and support value-added

operations on farm. I'm going to ask the deputy as well if he would just comment. There have been some announcements as well with respect to some tax relief; for example, for producers who look to construct facilities that would assist them in storage of food products.

Deputy, would you just like to add to that, please?

**Dr. Bruce Archibald:** As agricultural businesses become more innovative and get into different areas, the challenge, I think, for the folks who are doing assessments is that there is no typical farm, and as they diversify, you have to look at various segments of the farm operation. The Ministry of Finance and the folks who are doing assessments are trying to establish criteria that will help guide the assessment. But there are still a fair number that are done on a case-by-case basis as you start to examine whether or not it's cold storage or a packing line or a storefront, and which and how much of those areas should be taxed at various kinds of rates. The other area we have been working on is to try to work toward consistency across various municipalities in the province so that the guidelines can be used to help give some direction as people do assessments.

**Mr. Ernie Hardeman:** Thank you. I just want to finish with the presentation I got from the tender fruit industry. We've been talking a lot about programs that would help in the transition and so forth. I think this is rather noteworthy: "Our growers are not looking for a chance to get out of business. We are looking for programs to support and stay and expand our industry." I would just encourage the minister and the ministry to look at life in that vein as we look at some of the needs of the tender fruit industry.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you to the member of the official opposition.

There are about seven minutes left until the vote is called in the House, and Mr. Hampton has suggested that he would prefer not to start right now. If we adjourn now, that will mean we will have two hours and 40 minutes left and we have a two-hour time frame tomorrow. Is everyone happy with that? We'd either condense our time tomorrow or—

*Interjections.*

**Mr. Ernie Hardeman:** If there's 40 minutes left, we can't fit it in tomorrow.

**The Vice-Chair (Mr. Garfield Dunlop):** Unless some people agree to stand down their time. That's the only thing we'd have—

**Mr. Ernie Hardeman:** Not likely.

**The Vice-Chair (Mr. Garfield Dunlop):** If that's okay with everyone—maybe we'll have a little warmer building tomorrow.

**Mr. Ernie Hardeman:** Mr. Chairman, just before we leave, I wonder if you would be so kind as to check to see if we've worked hard enough today to get heat tomorrow.

**The Vice-Chair (Mr. Garfield Dunlop):** I think we've tried hard.

This meeting is adjourned until tomorrow at 4 o'clock.

*The committee adjourned at 1744.*





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Mr. Bas Balkissoon (Scarborough–Rouge River L)

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Ms. Sylwia Przedziecki

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Wednesday 22 October 2008

# Journal des débats (Hansard)

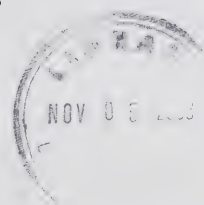
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## Standing Committee on Estimates

Ministry of Agriculture,  
Food and Rural Affairs

## Comité permanent des budgets des dépenses

Ministère de l'Agriculture,  
de l'Alimentation et  
des Affaires rurales



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Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 22 October 2008

Mercredi 22 octobre 2008

*The committee met at 1605 in room 151.*MINISTRY OF AGRICULTURE,  
FOOD AND RURAL AFFAIRS

**The Clerk of the Committee (Ms. Sylwia Przedziecki):** Good afternoon, honourable members. It is my duty to call upon you to elect an Acting Chair. Are there any nominations?

**Mr. Gilles Bisson:** Acting Chair? I nominate him.

**The Clerk of the Committee (Ms. Sylwia Przedziecki):** Does the member accept the nomination?

**Mr. Lou Rinaldi:** Sure, Mr. Bisson; absolutely.

**Mr. Gilles Bisson:** That was fun.

**The Clerk of the Committee (Ms. Sylwia Przedziecki):** There being no further nominations, I declare Mr. Rinaldi Acting Chair.

*Interjections.*

**The Acting Chair (Mr. Lou Rinaldi):** Welcome, everyone. We are here to resume consideration of the estimates of the Ministry of Agriculture, Food and Rural Affairs, vote 101. There is a total of two hours and 39 minutes remaining. When the committee was adjourned, the official opposition concluded its 20-minute rotation. It's now the turn of the third party, followed by the government. Mr. Bisson.

**Mr. Gilles Bisson:** Thank you very much, Chair—

**Hon. Leona Dombrowsky:** Just for clarification: Did you say four hours or two hours?

**The Acting Chair (Mr. Lou Rinaldi):** Two hours and 39 minutes.

**Mr. Gilles Bisson:** The thought of you with us for another two hours warms the heart.

**Hon. Leona Dombrowsky:** I know you'd love it.

**Mr. Gilles Bisson:** I'm going to submit to you a series of questions that I have here. I have some 30 questions that I'd like to get some answers to, but I'm just going to read them into the record because we're running short of time. We have two hours left, which means I'll probably get two rotations. For the sake of the committee, I'm going to be providing you with a copy of the questions, and if you can provide us with an answer, that would be a good thing. Can I just do that and go to general questions?

**The Acting Chair (Mr. Lou Rinaldi):** Sure.

**Mr. Gilles Bisson:** Can I provide the clerk with a series of questions for the ministry, and we can get answers for them all?

**The Acting Chair (Mr. Lou Rinaldi):** Just for clarification, do you want those answers today, in this 20-minute rotation?

**Mr. Gilles Bisson:** Oh, no. You're not even going to know the questions if I give them to you today. I'm just looking for answers to all of these questions. It's within—

**Hon. Leona Dombrowsky:** Does that usually happen at estimates? That's why I'm taking the time to be here to answer questions. You could just walk that across the floor of the Legislature, if you wanted. I don't need to listen to you read them for 20 minutes.

**Mr. Gilles Bisson:** That was my point. I didn't think you wanted me to read 30 questions—there are 32 questions. I didn't think you wanted me to read them. All I'm saying is that I have some general questions I'd like to get to, and what I'd like to do is table with the clerk these particular questions so that they can be responded to, and a copy sent to all members.

1610

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Bisson, I believe you should read them for the record—

**Mr. Gilles Bisson:** Okay. I didn't want to bore you with—

**The Acting Chair (Mr. Lou Rinaldi):** —and allow the minister, if time permits in those 20 minutes, to reply. If the minister does not have those answers, then, like in the past, I'm sure the minister and staff will be able to supply them to the committee.

**Mr. Gilles Bisson:** Just on a point of order, Chair: In the past, we have tabled questions. This is not new, so I'm a little bit confused as to why you're not allowing us to table questions.

**The Acting Chair (Mr. Lou Rinaldi):** The minister is here, and she's taken her time and staff have taken their time. I mean, that's the purpose of these public hearings.

**Mr. Gilles Bisson:** My point is that if we run out of time, I want to table the rest of the questions. That is in order; right? Of course it is. I will start. It's running into my time. So as the clerk is reading the rules, we're going to go through it.

In the order that they're presented, I guess the first one is, OMAFRA's aim is to strengthen the Ontario agri-food sector, improve food safety, to protect the environment and strengthen Ontario rural communities. Has your ministry set benchmarks for achieving each of these

aims? Do you have specific targets and timetables for the progress, and what are they?

**Hon. Leona Dombrowsky:** I am going to need to enlist the support of my staff to help me with that. Maybe, Deputy, you would be best to identify who's going to help answer that.

**The Acting Chair (Mr. Lou Rinaldi):** Sure.

**Dr. Bruce Archibald:** I'd like to ask Dr. Deb Stark to talk to a number of the elements that were raised by Mr. Bisson in terms of performance measures and benchmarks and where we're at as it relates to the food safety elements of it.

**Dr. Deb Stark:** I guess I can start in general terms, in that we do submit, as do all ministries, a results-based plan which talks about our plans for the ministry and the financial resources that we will require, and part of that plan does speak about the performance measures that we have. We also, as part of any kind of new program development, have to speak about the issue of program performance measures. We have a number of program performance measures for various levels. Some of them are shared more publicly and some are kept internally, particularly within my section. I have the food safety and the environmental piece. As I explained to the committee yesterday, in food safety we have been using the work of Justice Haines as a blueprint of how to move forward and we have been tracking our progress against recommendations of Justice Haines. We have over 80% of them completed, and on the remaining ones, work is well under way.

We also talk about the performance of our meat plants and we, on our website, have the audit ratings of the meat plants and the level of compliance that we have.

Another specific project that we have under way, again as a result of direction by Justice Haines, is to refine and go deeper into the idea of performance measurement and understanding what the food safety risks are. So we've completed some baseline studies on meat, dairy and poultry, and the results are available on the website. We're using those and actually developing a performance measure system for the food safety pieces.

**Mr. Gilles Bisson:** I'm just curious, you're saying some of these benchmarks—was it some of the benchmarks or some of the targets are kept internal and some are public? I didn't quite follow you on that one.

**Dr. Deb Stark:** All of them are accessible if people ask for them, but the website contains some of the ones that people are more interested in.

**Mr. Gilles Bisson:** So you have benchmarks that are set within the ministry, right?

**Dr. Deb Stark:** For various programs?

**Mr. Gilles Bisson:** Yes. You have benchmarks set.

**Dr. Deb Stark:** Yes.

**Mr. Gilles Bisson:** And you have specific targets, right?

**Dr. Deb Stark:** In some cases, we have targets. In some cases, I'd say they are more like objectives.

**Mr. Gilles Bisson:** Okay. You have timetables. Can you provide us with some of that? Is that in writing anywhere?

**Dr. Deb Stark:** I guess the request came yesterday—was it only yesterday?—for the food safety-related results and we are intending to provide that information.

**Mr. Gilles Bisson:** So you will provide us with what the benchmarks are, what the targets are and the timetables for progress?

**Dr. Deb Stark:** The ones we have, yes.

**Mr. Gilles Bisson:** What about the ones we don't have? Are we going to know what those are?

**Dr. Deb Stark:** We do have work under way, and if you're comfortable, we can share some of the project we have under way to set other performance measures. We anticipate having that completed in the fall.

**Mr. Gilles Bisson:** Okay.

**Hon. Leona Dombrowsky:** Mr. Chair, the deputy would also like to provide some more information on this.

**Dr. Bruce Archibald:** I believe there were a number of elements in Mr. Bisson's question that go beyond the food safety area—there was the competitiveness of the food processing sector and those areas—so I was going to ask, if we are done on the food safety element, if Bonnie Winchester, the ADM for the economic development division, could speak to some of those.

**Mr. Gilles Bisson:** Part of the problem we have is that we only have so much time. If you could give us that in writing, it would be helpful, because I have a number of other questions—not that I don't want to hear it, but in writing would be preferable.

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Bisson, just to clarify something: The clerk has just instructed me that at the end of the 20 minutes, if you're not finished, you could submit questions in writing.

**Mr. Gilles Bisson:** Okay, so that's clarified. Bring the person forward. As long as I can submit my questions, I'll be happy.

**Dr. Bruce Archibald:** If we're done on the food safety area, I'm going to ask Bonnie Winchester, the ADM responsible for the economic development division, to talk about some of the performance measures in terms of the food processing sector.

**Mr. Gilles Bisson:** And I take it you have somebody else for the farm side, right?

**Dr. Bruce Archibald:** Yes.

**Ms. Bonnie Winchester:** In the economic development division, we have a team of people who work on investment attraction, retention and expansion; that is, bringing new investments to the province and also helping retain companies and manufacturers that are currently in the province, and potentially assisting them to also get international mandates, because there are a lot of multinational companies. So we work with them.

The key performance measure we have for that work on an annual basis is the number of jobs we have created—those are investment cases that we have actually influenced directly—and also the amount of capital investment—if there's a new plant that's built or an expansion of a current plant. Those are the key measures for our division.



**Mr. Gilles Bisson:** Do we have any numbers as to how much money has been invested in the food processing side over the last number of years?

**Ms. Bonnie Winchester:** I believe the number is \$1.6 billion, but I can double-check that for you.

**Mr. Gilles Bisson:** Can you provide us with a list of the numbers year over year for, let's say, the last five years?

**Ms. Bonnie Winchester:** Certainly. They're in our published performance measures. Absolutely.

**Mr. Gilles Bisson:** There are some good stories to be told there.

**Ms. Bonnie Winchester:** There are.

**Mr. Gilles Bisson:** On the farm side—

**Dr. Bruce Archibald:** I'll ask Dave Antle—

**Mr. Gilles Bisson:** Thank you very much, by the way. That was helpful.

**Dr. Bruce Archibald:** I'll ask Dave Antle, the assistant deputy minister for our policy division, to speak to some of the performance measures dealing with farm income and support programs and those types of things.

**Mr. Dave Antle:** With regard to the participation rate in CAIS or AgriStability, we do track the participation of farmers in the programs, and we continue to monitor that on an annual basis. We also track the level of program participation and satisfaction with program delivery for AgriStability.

**Mr. Gilles Bisson:** And you're going to provide us with that? You're going to provide us with data?

**Mr. Dave Antle:** We can, if you like.

**Mr. Gilles Bisson:** Okay. Do you want to read it into the record, or do you want to just give us a copy?

**Mr. Dave Antle:** Would you like me to give you the latest baseline numbers?

**Mr. Gilles Bisson:** If we can get the copy, that would be really good.

**Mr. Dave Antle:** Sure. I can take the time to do that.

**Mr. Gilles Bisson:** Okay. So, on the CAIS side, what was the actual investment?

**Mr. Dave Antle:** The actual participation rate for farmers was 63% in 2007-08, in terms of final numbers.

**Mr. Gilles Bisson:** Okay. Do you have year-over-year numbers for the last five years?

**Mr. Dave Antle:** We have numbers noted for 2004-05, which we could provide: 56%.

**Mr. Gilles Bisson:** But there would be numbers for each of the last five years. I take it we're tracking them, right?

**Mr. Dave Antle:** Yes, we do, but I don't have that with me.

**Mr. Gilles Bisson:** Can you provide that to the committee? That would be helpful.

**Mr. Dave Antle:** Absolutely.

**Mr. Gilles Bisson:** There was the other question with regard to the number of active farms year over year for the last five years. Have you got those numbers?

**Dr. Bruce Archibald:** We do have those numbers.

**Mr. Gilles Bisson:** You're so good. You guys work hard.

**Hon. Leona Dombrowsky:** They do. They're very good.

**Mr. Gilles Bisson:** No matter who the government is, they keep on working hard.

**Hon. Leona Dombrowsky:** You're right. I agree.  
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**Dr. Bruce Archibald:** I have some numbers here, in terms of farms and farm size and those things, year over year. Total number of farms—I think you asked us to go back 10 years—

**Mr. Gilles Bisson:** Yes.

**Dr. Bruce Archibald:** —in 1996, which is closest in terms of census years, 67,520, and in the last census year, which was 2006, 57,211. I'm not sure if you also asked about production area, so I should ask for clarification.

**Mr. Gilles Bisson:** Yes.

**Dr. Bruce Archibald:** Actual production area has increased over that same period, from an average farm size of 83 hectares, or 206 acres, in 1996 to—sorry, I just want to make sure I've got the numbers right—94 hectares, or 233 acres, in 2006.

**Mr. Gilles Bisson:** Can you provide us with that data year over year—

**Dr. Bruce Archibald:** Yes.

**Mr. Gilles Bisson:** —the number of active farms and the production area?

**Hon. Leona Dombrowsky:** Sure. Basically, Mr. Chair, what the answer will reflect for the honourable member is that while the number of farms in Ontario has decreased in the last 10 years, the size of farms has increased and the number of people involved in the industry has increased.

**Mr. Gilles Bisson:** I'm just curious: Is that because more of the business has gone to the agri corps? Is that why the production has increased, or are individual farmers buying adjacent farms? I'm just trying to get a bit of a picture. Is it a bit of a mix?

**Hon. Leona Dombrowsky:** I'm going to offer my humble observation, having had the privilege of working in this sector. I think that, again, it goes to research and innovation. There's a lot of on-farm innovation. Farmers are implementing new, very efficient strategies in terms of how they sow their crops, how they harvest their crops, and how they market their livestock, grains and oilseeds. I think that has a lot to do with the fact that we have more farmers and there are more people involved in the industry.

**Mr. Gilles Bisson:** More people in the farming industry?

**Hon. Leona Dombrowsky:** I'm not saying more farmers, but more people in the agriculture industry. Farmers have larger operations, and they hire on-farm support as well.

**Mr. Gilles Bisson:** Do you have any sense of how much increased production is a result of larger agri corps versus the family farm sort of expanding? Do you have any sense of that?

**Dr. Bruce Archibald:** I have some data that you asked for as well, in terms of family farm operations over

a period of time—the change over the last five years. In terms of overall percentage: sole proprietary farm families, 31,800; partnerships, 17,100; and farm family corporations, 7,500. So 98.6% of the province's farms can be considered family-run operations. I think there is sometimes a perception that if it's an incorporated entity, it is no longer actually a family-run operation. But as we went back and looked at the data based on the 2006 census data, 98.6% of the province's farms could in fact be considered family-run operations.

**Mr. Gilles Bisson:** Could you provide the committee with that information?

**Dr. Bruce Archibald:** Absolutely.

**Hon. Leona Dombrowsky:** If I could clarify as well, I said there were more people in the industry. There are more people per farm. If there are fewer farms, there may not necessarily be more people in the industry, but more people per operation; in each farm operation, there are more people working.

**Mr. Gilles Bisson:** Okay. On the question I asked you earlier, could you also provide, vis-à-vis protection of the environment, what the benchmarks are, what the targets are and what the timetables are?

The next question: How much of program spending is actually making it to the farm gate, and what is the average amount per farmer? Do we have that kind of information? I know that might be tough to answer today, but do you think you have that?

**Dr. Bruce Archibald:** Absolutely. In terms of the overall ministry budget, we'll get you the exact percentage, but a large percentage of that is either in terms of direct farm-income support programs—AgriStability, AgriInvest, agriculture insurance and agriculture recovery—or through other companion programs like the SDRM program for horticulture or a risk management program for grain and oilseed producers or ad hoc payments that we've also put out. So a very high percentage of the overall ministry's budget is actually directed towards support for farm operations. Then there's indirect support through support of programs that deal with business management training to help people in terms of business skills acumen, learning different ways in terms of marketing. The benefits are really directed towards the individual. Even though there are not actual cheques directly to individuals, there are programs that are designed for that. On the indirect side, there's obviously a fair bit of investment in terms of research and innovation through a variety of areas and technology transfer through our field specialists, again designed to ultimately help the sectors and the individual farms. We'll give you the breakdown in terms of the percentage, but a very high percentage of that actually is for direct farm income support.

**Mr. Gilles Bisson:** I guess there is a recognition—and this is not a reflection on the government, but just generally, what's going on in industry—that it is becoming more and more difficult for the individual family farm to keep the gates open, as we might say. I take it there's that recognition?

**Hon. Leona Dombrowsky:** Absolutely. And the member would know that we have had a number of programs, and I'm not going to take the time; I could, but it's your time, so you know that we have recognized that there are some extenuating circumstances from time to time and we do try to work with our partners to address those.

**Mr. Gilles Bisson:** In regard to the spending that's done through various programs of the ministry, is there any kind of breakdown as to how much of it goes—I guess the first part of the question is, you answered earlier that an average-sized farm today is about 83 hectares. There are some a lot larger than that; there are some smaller than that. Is there any kind of breakdown in regard to who gets how much money based on those numbers? Is that broken down in any way: the big farm versus the small farm, how much money they get?

**Dr. Bruce Archibald:** We break it down in terms of aggregate areas, in terms of small and medium-sized operations, in terms of percentage of dollars. We don't do a detailed breakdown of individuals just because we get into concern about privacy issues and those types of things. But we do do analysis where we set arbitrary levels and say, "What percentage of people with"—for example—"below \$100,000 in terms of gross sales are recipients? What's the average payment? What's the percentage of people over \$250,000 in terms of gross sales? What's the average payment?" It depends on the program, in terms of how the thing was structured, whether or not it follows that size follows payment size. In some cases it does and in some cases it doesn't.

**Mr. Gilles Bisson:** Is that information tracked? I take it that it is, by what you're saying, right?

**Dr. Bruce Archibald:** Tracked—

**Mr. Gilles Bisson:** By the ministry.

**Dr. Bruce Archibald:** Looking at average payments to producers?

**Mr. Gilles Bisson:** Yes, to the size of the farm, based on either their overall volume of sales or the size of the farm.

**Dr. Bruce Archibald:** We look at those from a historical point of view, in terms of analyzing the data. It also helps to inform in terms of designing future programs.

**The Chair (Mr. Tim Hudak):** M. Bisson, that's the conclusion of the 20-minute segment.

**Mr. Gilles Bisson:** Wow. Can you please provide us with that?

**Dr. Bruce Archibald:** We can provide you with the analysis that we've done in terms of those types of programs.

**The Chair (Mr. Tim Hudak):** Okay, thanks. That concludes the time—

**Mr. Gilles Bisson:** Twenty minutes goes so fast.

**The Chair (Mr. Tim Hudak):** It does go fast.

**Mr. Rinaldi,** thank you for stepping in as Acting Chair. My apologies, folks and minister and staff. I had double hats today. I had to do a response to the economic statement. Thank you for your understanding.



Folks, just as an update: We have now two hours and 19 minutes remaining in the consideration of Agriculture, Food and Rural Affairs, or 139 minutes. We have until 6 o'clock today. So there are 45 minutes' spillover. So if members want to talk together about dropping some time, we could conclude today. If not, we would have to come back Tuesday morning for 45 minutes. Government members have 20 minutes—

**Mr. Gilles Bisson:** Could I make a suggestion? If the government wants to cede some of their time, we could finish it today.

**The Chair (Mr. Tim Hudak):** Why don't we continue and then Mr. Bisson and Mr. Rinaldi can chat? Who on the government side is up? I apologize.

**Mr. Kim Craitor:** Phil.

**The Chair (Mr. Tim Hudak):** Mr. McNeely? There are 20 minutes, Mr. McNeely.

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**Mr. Phil McNeely:** One of the areas that eastern Ontario, for sure, probably more than some of the good agricultural areas of western Ontario—in eastern Ontario, we have a lot of lands that are borderline and a lot of good land that produces corn and stuff like that.

In December 2007, the industry, generally for cattle and hogs, was in difficulty. There had been concerns about the action that our government took, Minister, that—can you explain how providing \$150 million to Ontario farmers, who were facing a dire financial situation at that time, can be perceived as a bad thing? I think that's the history we've been getting from opposition parties on it. I know that the need was there, and I'm just wondering: Why is that being criticized today?

**Hon. Leona Dombrowsky:** I'm very happy to try to respond. As the honourable member has indicated, there were some difficulties in three particular sectors: cattle, hog and horticulture. The representatives from those sectors came to see me very shortly after we formed government and they made it very clear that there was an urgent and pressing need for an infusion of dollars. Their ask of me was cash by Christmas, and they were in my office, I think, around November. I think they really recognized that that probably wasn't going to be the case. The message that I received from them—the point they wanted to stress—was that they really needed a partnership with the government as quickly as possible. They did make the point that the typical tools that we have at our disposal to roll out dollars, where we invite applications and ask for the most current data upon which to deliver cheques, were not going to meet their particular need at the time because it was so immediate and so pressing.

They also made the point that because those sectors had been in difficulty for a number of years, that also exacerbated the problem. There were operations that were at risk of being lost because bankers were saying, "We can't extend lines of credit, we can't renew mortgages based on the business plan; if you were able to demonstrate that there was going to be some additional cash infusion over the short term"—that kind of relief

would have been viewed very favourably by the bankers. These were the reasons our government recognized why we needed to respond very quickly.

I certainly did talk with industry partners about the tools that I had. Obviously, the very best way to partner with producers to get money out as quickly as possible is to use the information we have in the system. The most current information that we agreed would be appropriate to use, and what we did ultimately use, was the information that was gathered with those who applied for the federal cost-of-production top-up. Those applications were required to be submitted by September 2007. It was with that information that we moved forward.

It has been identified by members of this committee, and I have spoken with producers who would say that for those who were new to the industry, that that did, in fact, prevent them—I don't want to say "from accessing the program," because if they were producing in 2007 and they applied for a cost-of-production top-up, they would have received some money—maybe not as much as they would have hoped or would have liked or as much as other people who had been producing for some years before them and suffered some significant losses. I have heard from those people.

To the honourable member: We really did work with our partners in the industry. They were very aware of the vehicle that I had to deliver the dollars the quickest. Since the delivery of the program, they were also aware that I had a limited amount to spend and the option that might be available, I suppose—and I think an option that would not be favoured by industry leaders, and I'm sure the people who have received some support already—is that given that there's a fixed amount, if there was a recalculation, it would mean clawing back some of the dollars that had flowed to producers who did qualify. We chose not to pursue that either. I made it very clear that we wouldn't do that because these cheques were designed to support people who had been in difficulty for a number of years and desperately needed the money, and we weren't going to pull any back from them.

So that is the course of action that the government had taken at the time of the announcement. Since then, I have dozens of letters from producers who were very grateful not just for the program, but the fact that they got the money in a very timely way. We had many, many positive comments, much positive feedback from those producers who were expecting a wait of perhaps some months and it was less than two months from the day of the announcement till the cheques were delivered.

That is how we work with producers in Ontario, with farmers. We listen to them, and we have, whenever we have been able to, provided resources that they desperately need for the health of the agriculture industry.

**Mr. Phil McNeely:** Thank you, Minister. I think I'll pass this on to the next member.

**The Chair (Mr. Tim Hudak):** Mr. Craitor.

**Mr. Kim Craitor:** Just a short question, Minister; actually, it's quite relevant to my riding of Niagara. It's in respect to the broadband Internet infrastructure

program, which is, I know, important to the economy of all of Ontario. I've had a group of people come in to see me at my riding office, talking about providing that service in some of the rural areas we have in the Niagara region, such as Port Colborne, Thorold, Fort Erie, Welland and Chippewa, where they don't have that kind of service.

So just a couple of questions I wanted to ask you: How much funding has been provided so far? Secondly, I think for the record it's important to share how the program works with regard to the partnership between the province, municipalities and the private sector.

**Hon. Leona Dombrowsky:** I thank the member for bringing to this conversation the topic of broadband. For those of us in rural Ontario it's very important, and because of the good work from members of all sides of the House who have made this point so very well, our government has committed that over the next four years, we will be investing \$30 million to improve access to broadband services across the province, but particularly in rural communities.

This investment leverages the existing Rural Connections program that has already successfully committed \$8.5 million to 18 municipally led projects in rural Ontario. We listen very carefully to our municipal partners. When I attend ROMA and AMO, I meet with every municipality who requests that of me, and I can tell you, Mr. Chair, that accessing broadband services is a key ask in order to enable municipalities to better promote economic development within their region.

I also have representatives from the ministry who may be able to provide some more particular information in terms of the application process that municipalities go through. I'm looking to my left, to the deputy; he knows who to call forward.

**Dr. Bruce Archibald:** I'd like to ask Brian Cardy, who's the director responsible for this program, to come forward and provide a little more detail in terms of the process for the broadband initiative.

**Dr. Brian Cardy:** The Rural Connections program, the four-year program that was just launched this year, is on an application-intake basis, so that a call will go out for applications. We do provide field support, both from an engineering point of view, from a technology point of view, as well as from a community development point of view. We work with the municipalities to answer their questions and to coach them on applying, to make sure that they have identified all the issues important to them, for their residents.

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The intake for the first part just closed, and 18 applications have come in. Those applications are currently being reviewed by the directors, and it's going to an approvals committee in a few weeks. There's another intake scheduled for February of this year, and there will be continuous intakes twice a year until all the funds are fully committed.

**Mr. Kim Craiton:** I'm pleased that you're here. One follow-up question, just so that I'm really clear on this:

With the application process, is there a requirement that the municipality also has to be the lead on this all the time?

**Dr. Brian Cardy:** Yes, they can partner. We actually encourage partners, both with aboriginal groups that also will be looking for access to high-speed Internet as well as other private interests. In almost all cases, the municipalities will partner with a private Internet service provider. However, the municipality is the lead applicant, and we will contract directly with the municipality.

**The Chair (Mr. Tim Hudak):** There are about eight and a half minutes left for the government members. Mr. Delaney.

**Mr. Bob Delaney:** Minister, I'd like to ask you a question about something that's certainly been in the papers and has also been the subject of an awful lot of conversation at the kitchen tables and in some of the living room meetings that I attend from time to time, and that's food safety. In urban areas, we don't always have a direct connection between the kitchen table and the farm. One can say, tongue in cheek, that to many of our residents, food doesn't come from the farm; food comes from the grocery store. Perhaps you could assist, in your response, in filling in some of the missing steps, particularly after the listeria outbreak at Maple Leaf Foods. Could you explain what type of initiatives we have at the provincial level that help keep food safe for Ontario families?

**Hon. Leona Dombrowsky:** I very much appreciate the question. I know that members of this committee have heard from Dr. Deb Stark from the ministry. I think she has provided some very fulsome responses around the particulars. But I would also like to take the opportunity, when I say that our government has been committed to food safety and quality issues in the province of Ontario, to put that in some context.

Shortly after coming to government, we commissioned the Honourable Justice Roland J. Haines to undertake a review of the province's meat inspection and regulatory regime. We are committed to implementing all of his 113 recommendations in a responsible manner. I think the people of Ontario understand that there is a need to prioritize those recommendations, and that is the responsibility of our ministry. We've taken it very seriously, and that is what we have acted on.

As a first step, we proclaimed the Food Safety and Quality Act and we introduced a new, stronger meat regulation. This legislation ensures that meat processed in provincially licensed plants for consumption in Ontario meets food safety requirements. Justice Haines made it very clear in his recommendations that all meat processing operations, whether an abattoir or a free-standing meat processor, should meet the same food safety standards. This is, I think, a very important point. Our government recognizes that stakeholders would require assistance to meet these new regulations, and that is why our government is providing up to \$25 million in financial assistance for those meat processing facilities.

We have also funded the Ontario Independent Meat Processors to provide technical and business advice and



follow-up, with an additional commitment of \$800,000 to continue with the delivery of the meat plant assessment services. I had the opportunity yesterday to identify the work that we have done with the Ontario Independent Meat Processors. They have partnered with us, they have been very eager, very co-operative, to work with their members, so that their members understand and appreciate the programs that have been made available by this government: (1) what the new regulations are, (2) the fact that our government has provided some dollars to assist them to meet the new regulatory regime and (3) how they can access those programs. So we're very appreciative of the good work that the Ontario Independent Meat Processors is doing to assist its members but also our government and then, of course, the people of Ontario.

There are a number of checks and balances in Ontario's meat inspection system, including veterinary oversight, technical support, laboratory testing and an annual plant audit program that provides for effective performance monitoring. Ontario's meat inspection system is continually improving to minimize risks to public health and to ensure public confidence in the provincial meat supply.

Ontario has a strong food safety system and a recognized reputation for food safety. Everyone from consumers to food processors at all levels of government has an important role to play in this system to maximize the safety of the food we eat. The Ontario Ministry of Agriculture, Food and Rural Affairs takes its role in this area very seriously. While we have a good system in place, our goal is to reach even higher and to make it a world-class system. Our partners in this industry are very eager to assist us and work with us to achieve that goal.

Some of you may have heard the acronym HACCP. It stands for hazard analysis and critical control point. Anyone who is in the food production or food processing business is very familiar with this term. HACCP is an internationally recognized system for improving food safety, and it is designed to help prevent problems in food production, processing and handling. It's designed to prevent problems from occurring. It's a preventive program for food producers. It really is a multiple-barrier approach to food safety. I'm very proud of the fact that our ministry has developed Advantage HACCP, which is a made-in-Ontario program specifically designed for small and medium-sized processors. It offers a voluntary, staged approach to food safety management which helps meet the needs of specific markets and suppliers.

We have met the challenge presented to us by producers and from Justice Haines's recommendation to develop an on-farm food safety program for small and medium-sized farm operations. The Advantage good agricultural practices program assists producers with identifying potential food safety risks on the farm and provides guidance on how to reduce and prevent those risks. The program complements existing national on-farm safety programs by providing a solid foundation of common food safety practices through one manual and one set of records for producers.

I talk about complementing the existing national programs. Members of this committee would know that we have a shared file; we share responsibility for food safety with our federal partners. They have amounts of money that they set aside for these very initiatives. Our producers and processing partners have told us that it's very important that we work in co-operation, that we understand what their priorities are and that we fashion support programs that complement each other. I certainly give credit to our industry partners and to our staffs at both the federal and provincial levels, who I think have done an excellent job in ensuring that, when we do invest dollars, they are invested in similar initiatives that get the best bang for their buck with the people who are accessing the programs.

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**The Chair (Mr. Tim Hudak):** Thank you very much. We'll now go to the official opposition. Mr. Hardeman.

**Mr. Ernie Hardeman:** Good afternoon again, Madam Minister. We've heard some discussions at previous meetings about the Clean Water Act and compensation for land. At the October 15 committee meeting, you were talking about compensation to farmers whose land was taken out of production as a result of the Clean Water Act. You said, "There is an amount of money set aside." Minister, how much is available to the farmers and how much of that money for that loss of land has been paid out?

**Hon. Leona Dombrowsky:** First of all, if I can begin to respond to that, there may be some staff here who also have some dollars—the Clean Water Act is carried by the Ministry of the Environment. Within the Clean Water Act, there is provision for a stewardship fund. I'm sure the member knows that within each conservation authority, there are stewardship committees, and that on each stewardship committee, there must be agricultural representation. When there is a situation within a conservation authority where any business, agriculture or otherwise, can demonstrate that if there has been a threat identified on their property and it means that they must change their operation and that it may have an impact on their operation—and in the case of the honourable member's question, that farmland would be taken out of production—it is my understanding that the stewardship committee will work with the property owner to determine a mitigation plan. If it is the case that land is taken out of production or that dollars are lost, there is a fund that can be accessed for that compensation.

The honourable member has asked about the fund that was part of the legislation—and I don't have that number right at the front of my mind. Because this ministry doesn't carry that act, I don't know that I have that information in my notes, but I am going to ask—oh, well, I've got some really good people here to my left. They have a little more information than I do.

**Dr. Bruce Archibald:** The minister is correct that the fund is actually housed within the Ministry of the Environment for source protection on farms and will be run through the Ontario Soil and Crop Improvement

Association. But there's \$7 million in the stewardship fund to go for various elements in the program. The total amount is \$7 million; the breakdown in terms of the various areas, we're not aware of, but the Ministry of the Environment has the responsibility for that part of the program.

**The Chair (Mr. Tim Hudak):** Okay. I appreciate the response. Mr. Hardeman.

**Mr. Ernie Hardeman:** I refer a little further on that—I've got it here somewhere if I can find it—you went on to say that the amount of money in that fund was set up based on what you heard at the committee hearings when the act was being heard—I presume that you were speaking of what you heard at those committee hearings, whether it was the relationship between what you heard at the committee meetings and the \$7 million.

**Hon. Leona Dombrowsky:** If I may clarify, the comment that I made would refer to how during committee hearings for the Clean Water Act, the committee heard and reported to the government that there was concern that, should the proposed legislation be passed, it could impact agricultural operations; it could actually take land out of production. There was no one—and I do believe it was asked what the amount would be: Did anyone have an estimate, a guesstimate or any idea? I'm not aware that there were particular circumstances, situations or dollars that were provided either to the committee or to the government.

It's my understanding that the Ministry of the Environment, in consultation with the Ministry of Finance, recognized that in fact there would be the potential to impact businesses and that a stewardship fund—I think it's important to note the name of the fund; it's a stewardship fund. When businesses would be able, and in this case when farmers would be able, to demonstrate their stewardship to protect water, there would be dollars available to offset any cost that may bring to their business.

**Mr. Ernie Hardeman:** Madam Minister, are there no funds in these estimates that we're presently referring to that deal with the impact that the Clean Water Act will have on our agriculture community?

**Hon. Leona Dombrowsky:** It's my understanding that that act is carried by the Ministry of the Environment, and I believe that's where the stewardship fund would be.

**Mr. Ernie Hardeman:** I'm wondering if we could get it—if we don't have it here, because it is a Ministry of the Environment piece of legislation—through the Ministry of Agriculture? The reasoning in all the committees that are presently setting up their terms of reference—you read it in the paper day after day, about them wanting to include compensation for land that is going to be impacted by the Clean Water Act, and in every case, the ministry is opposing that being in the terms of reference. It's caused a fair commotion, shall we say, in the end of the province that you're from, Madam Minister.

I'm just wondering, seeing that comment that there is compensation for that—I just have to understand why

they would have so much trouble getting that into their terms of reference.

**Hon. Leona Dombrowsky:** I have to say that I'm not familiar with the particular situation the honourable member is referring to. I guess I just need to be clear on what his ask is.

**The Chair (Mr. Tim Hudak):** Do you want to repeat the question?

**Mr. Ernie Hardeman:** Yes. I'll maybe just clarify it. Minister, you spoke about the committees that are being put in place, those committees around the province that must have farmer representation on them. They are setting up presently and having discussions to set up the terms of reference for each individual committee around the province. I've been following one rather closely. They've been going to great lengths to have an inclusion in their terms of reference that they will be allowed to deal with land compensation, but they have been stopped from passing a terms of reference—or having a terms of reference accepted—that includes that in it. I guess I'm curious, with your comments that the fund is there for that purpose, why they would not want it in the terms of reference.

**Mr. Lou Rinaldi:** Chair, on a point of order: I'm just wondering how relevant this is to why—

*Interjection.*

**Mr. Lou Rinaldi:** I've got the floor at the present time. I'm just wondering how relevant this is to what we're dealing with today.

**Mr. Ernie Hardeman:** I'll ask the questions as I see fit.

**The Chair (Mr. Tim Hudak):** The member can ask questions. The estimates are what we're supposed to be asking about. If it's not in the minister's estimates, it's a legitimate answer by the ministry that it's not their ministry. But the question is allowed; the minister doesn't have to answer if it's not in her portfolio.

**Mr. Lou Rinaldi:** Thank you.

**Hon. Leona Dombrowsky:** With respect to the question that's been put by the honourable member, I really would not be able to answer for, or why, a local committee that is made up of people from the community—I really can't—and work with people from the Ministry of the Environment. I would not be able to answer why that would be the case.

**Mr. Ernie Hardeman:** I accept that answer. The only reason I asked the question in the first place was because of the comments in the Hansard of the meeting I wasn't at that talked about the fund and the minister's connection to it. I presume that that fund must then be in some of the figures that are here in the budget. That was why I was asking the question.

There's another question and, Madam Minister, you don't have to answer it. It does, again, deal somewhat with the ministry, and the question is whether it actually is in the estimates. At public accounts, we had the presentation from the Minister of Natural Resources. One of the issues of discussion was the crop damage by wildlife and, in fact, that the farmers get reimbursed for that, but



that hasn't changed for some time. The Ontario Federation of Agriculture was very concerned that they were losing more and more because of the wildlife protection that we have in our government. The compensation for that was not going up comparably and they were losing out. I wonder if there is a connection between the payouts. Is that through the Ministry of Agriculture or through the Ministry of Natural Resources?

1700

**Hon. Leona Dombrowsky:** Thank you very much for the question, because it's something that I'm dealing with in my riding as well, so I'm happy to have the opportunity.

The payments actually flow through this ministry, through Ag, Food and Rural Affairs. It is an issue that has been brought to our attention by stakeholder groups. I have told them that right now there is a review under way. It has been some time since those rates of compensation have been reviewed, so I have given that commitment very clearly. I also worked very closely with the Minister of Natural Resources, because we're finding now that there are some natural predators that—they're new ones; they haven't been there in this province before. So we do have some work to do with that.

I'm also advised that Christine Kueper from the ministry in Guelph has some more information on this particular issue.

**Ms. Christine Kueper:** Wildlife damage compensation, as the minister did say, is the responsibility of the ministry, and there's a variety of different programs that are available. There are programs that are available for predators eating livestock, which is under the Livestock, Poultry and Honey Bee Protection Act. As well, there's the bear damage to bee hives compensation program, and bears also damage livestock as well. Those are programs that are directly administered by the ministry through municipalities.

As it relates to compensation to crops, damage by animals—and usually these are herbivores, obviously—is an insurable peril under crop insurance, and we do encourage all producers to participate in production insurance, crop insurance. So that is what's available to them.

**Mr. Ernie Hardeman:** From that explanation, are there increased revenues available in the estimates to compensate—I have here a letter from the elk association pointing out that it's a major problem, with ever-increasing damages. So are there resources available within these estimates that will cover the cost of paying some of these damages, recognizing that it is the Ministry of Agriculture—

**Hon. Leona Dombrowsky:** Mr. Chair, I'm trying to—you've got a letter from the elk association that they're experiencing damage?

**Mr. Ernie Hardeman:** Yes—no, it's from the OFA about elk damage.

**Hon. Leona Dombrowsky:** Okay, yes. The honourable member might remember that it was during the

tenure of the previous government that elk were reintroduced into the particular area that's—

**Mr. Ernie Hardeman:** And I'm sure they had every intention of covering the damages.

**Hon. Leona Dombrowsky:** Oh, really? I'm looking at my notes here.

*Interjection.*

**Hon. Leona Dombrowsky:** Yes, I'm trying to find out where they left that money.

What I am able to say is that the presence of elk in the one particular area where they had been repatriated has been particularly problematic, and the Ministry of Natural Resources has been very proactive in supporting the farmers in that area. They've paid for the high fencing to keep the predators out. And as I indicated, right now we are in the process of reviewing the compensation package that we have in place. So I think it's fair to say that because this is a relatively recent initiative, you probably would not find any compensation costs beyond what we already have in place.

Again, these are demand-driven. The member would know, in any given year, that the demand on the program can vary. But for elk particularly, right now it's not the policy of the government to cover that, because the damage elk do—right now, the program that we have compensates farmers for loss of livestock, and we consider these livestock. The damage that the elk cause is to forage crops and to grains. So we do have a program—production insurance, crop insurance—that should support these folks. What the farmers are saying to me is that, in some cases, they've never had a need to purchase crop insurance before. They feel that this predator is there partly because of a government initiative. In any case, it's something that we very acutely aware of, but to answer the member's question, he would not find anything in the estimates particularly for the compensation of damage by elk—unless, of course, the producers had crop insurance, and that is a line in the estimates.

**Mr. Ernie Hardeman:** Thank you very much, Madam Minister.

Leaving the elk and going to food safety, I noticed that there was a chart that points out that in 2005-06 the total number of samples taken was 467,066. It goes down to 450,000 in 2006-07 and it goes down to 435,000 in 2007-08. The total number of licences issued was 817 in 2005-06, 863—going up the other way—in 2006-07, and 1,048 in 2007-08, but the total number of training sessions for people to do the testing went from 284 to 262 to 238.

Is this one of these cases that we are able to do a whole lot more with less? Because it seems we're not training as much. I presume we're needing more people to do that, because we have more licences—up from 817 to 1,048. How do we explain that there isn't a direct relationship between the need for the service and the training and the maintenance of the working people who make it run?

**Hon. Leona Dombrowsky:** I'm going to begin to answer your question and I am going to ask ministry staff to provide some information as well around the particular

details. But I want to make it very clear that our government takes food safety very seriously, and that's why we actually proclaimed the act that was passed by the previous government.

When we came to government, there were 10 meat inspectors; now there are 170. Those meat inspectors have been trained. I will leave it to staff to explain the schedule that has enabled that training to take place, but—

**Mr. Ernie Hardeman:** The question, Madam Minister, is not to do with that the government doesn't take anything seriously or that people are not doing their job; I'm just wondering why, as the numbers are going up for the need, the numbers are going down for what we're providing the staff to work with. Why would we have less training when we have much more need, as the numbers show, for the service?

**Hon. Leona Dombrowsky:** I will ask staff to assist me. Deputy?

**Dr. Bruce Archibald:** I'll ask Dr. Stark to come up and talk about the training program of the ministry.

**Dr. Deb Stark:** I have to apologize, because I'm not sure of the numbers you're referring to. If someone has a copy of them—

**Hon. Leona Dombrowsky:** Can you refer to where in the estimates you are getting those numbers?

**Mr. Ernie Hardeman:** No, I haven't got it as a page of the estimates. I expect they came out of the estimates, but I've got it as a separate page here.

**The Chair (Mr. Tim Hudak):** Do you want to maybe read the numbers back to—

**Dr. Deb Stark:** Or maybe I can speak in more general terms? I think your general question was the link between the number of training sessions, the number of samples and the number of licensed facilities. So what you're asking is, should we not expect a direct correlation—if one goes up, the other one goes up? I would say, not necessarily.

The training is related to the number of new people that we have and the number of refresher courses that we have to offer. We did, as the minister indicated, have a huge change in the number of inspectors over the past few years. We have brought them on in waves, so as we bring in new people, we need to provide more training for those new people. If we don't bring in so many new people, we don't need to provide so many training sessions. So there isn't a direct link there.

There is absolutely a commitment, and within the ministry, within the food inspection branch, we actually have a training coordinator in place to make sure that we do have the programming available. An inspector actually receives in-house classroom training plus time on the line, spent under the guidance of an established inspector. I don't really want to call it an apprenticeship, but it's that kind of thing. Everyone does that—spends that time, sits in that classroom and has that training before they go out. We do not send them out untrained. In terms—

1710

**The Chair (Mr. Tim Hudak):** That's going to conclude our time, Mr. Hardeman. Your time is up.

**Mr. Ernie Hardeman:** Thank you very much. That has answered my question completely.

**The Chair (Mr. Tim Hudak):** Folks, just by way of update, it sounds like there has been no agreement among members to drop any time, so this means that the Tuesday, October 28 meeting will continue with the Ministry of Agriculture, Food and Rural Affairs.

If we stick with our schedule, we'll have one more rotation today from the third party, then from the government members, then I'll stop committee at about 5:48. That means we'll have about one 20-minute segment each remaining on Tuesday, October 28, and then we'll conclude—sorry, that's in the morning on Tuesday, 9 a.m. We'll probably end right around 10 o'clock.

To third party: Madam Gélinas, the floor is yours.

**M<sup>me</sup> France Gélinas:** I know that yesterday our leader, Mr. Hampton, asked about sludge spreading, but I have another question. I understand that the government is introducing changes that will drop the requirement for the Ministry of the Environment certificate of approval for sludge spreading, and instead, you want to regulate biosolid spreading under the Nutrient Management Act. Actually, the Ministry of the Environment certificate of approval is the one way that people can find out what is being spread, where it is being spread and in what amount.

I want to know, how is this move going to increase food safety and transparency for the people who want to know about the sludge that's being spread in their neighbourhood?

**Hon. Leona Dombrowsky:** Dr. Deb Stark from the ministry will respond to that.

**Dr. Deb Stark:** Thank you for the opportunity, because as you say, there are some potential changes. They are under discussion. We had a document out on the environmental registry last year and comments were received and they are still under consideration. Certainly, you have raised one of the concerns that has been raised. No final decision has been taken.

Just to explain how the system works in terms of why we believe it would be better from a food safety perspective: The application of biosolids is something that we do believe is a benefit. It helps the landowner reduce costs because there are valuable nutrients in those biosolids which can be brought to the land and used, as opposed to more expensive fertilizers. It also helps a municipality dealing with their waste, but it has to be carefully regulated and it has to be carefully monitored.

At this point in time, both the Ministry of the Environment and the Ministry of Agriculture, Food and Rural Affairs co-chair a committee called the biosolids utilization committee. The Ministry of Health and Long-Term Care is also on that committee, as are other scientists; university scientists; ROMA, the Rural Ontario Municipal Association; the Ontario Federation of Agriculture; and technical experts are brought in as required. That's where the best science of the day is brought forward to discuss and say what kind of standards need to happen.



That has been the procedure under the certificate of approval, so when the Ministry of the Environment looks at issuing a certificate of approval, they have developed those standards, also using the advice of this biosolids utilization committee, and that will be—as we go forward in the future—our intent, if indeed the plan goes forward to move it under the Nutrient Management Act.

We are using the best experts that we have and using the newest science that they have access to, to set those standards and determine how and when material will be applied. That's why we don't believe there will be a change to the level of food safety if this procedure does go forward.

**M<sup>me</sup> France Gélinas:** If any changes come forward, will the people's right to know be maintained? As in, if there's going to be sludge spread in my neighbourhood, do I have your guarantee that no matter what comes after those experts do their recommendation, that I, as an Ontario citizen, will have access to what is being spread, where it's being spread and in what amount?

**Dr. Deb Stark:** I actually can't comment on what the final decision will be. As I say, we did have a proposal up. Comments have been received and those are under consideration, but there has been no final decision.

**M<sup>me</sup> France Gélinas:** I would have hoped—I realize there's no final decision, but there could be a show of transparency from your government that says, "Yes, we realize that people in Ontario want to know. They have this right right now. We're committed to keeping this transparency available." This is the kind of answer I would have liked, but you're not ready to give any guarantees to the people of Ontario?

**Hon. Leona Dombrowsky:** I think that all of the work that we have done with legislation since coming to government very definitely demonstrates our commitment to being open and transparent. I would say to the honourable member that I am aware, because a situation in my own riding presented itself recently, that my constituents were able to access the very information that the honourable member has referenced. I don't believe that, in any of the postings, there has been the presentation that that will be diminished in any way. I would find it hard to imagine that any public input would urge the government not to make this public.

So I would offer to the honourable member that we have a record of being open and transparent, and with the work of all members of this Legislature, I think that has been a common goal. We appreciate the point that the honourable member is making. As I say, I am not aware that there is anything in the proposed regulation that would diminish the public's right to know that is in place at this time.

**M<sup>me</sup> France Gélinas:** Well, I could argue that some of your ministries, as in the Ministry of Health, haven't been that transparent, but we'll leave this for another day. I take your comments as, you will ensure that people will continue to have access to that information, as sludge continues to be used in Ontario, if the good people in your community decide that this is the wise way to go.

Switching to sizes of farms, if the current trends continue, there will be fewer and fewer family farms in Ontario connected directly to our communities. What action are you taking to ensure that there will not be just a few large agricultural operations in each region and that we will continue to have family farms as the backbone of our rural economy?

**Hon. Leona Dombrowsky:** I'm very happy to respond to this type of question. I know that my deputy has some statistics, but I would first like to respond from the perspective as a minister. It was already identified in our conversations here today, so far, that the number of farms in the province of Ontario has declined in the last 10 years. However, that means farms are getting bigger, and what we are also finding is that there are more people employed in those larger farm operations.

We also recognize that there are challenges for anyone who would be looking to get into the farming business, particularly in the supply management sector. It's a very capital-intensive sector, and that is why our government is committed—and you will not find it in these estimate documents—to a program to assist young farmers.

Also, as a province, we have an agreement with our federal government, which we have had in the last five years: the agriculture policy framework. We just this summer signed the Growing Forward agreement with the federal government, which is a partnership for investment, and one of the areas that we partner to invest in is for farm renewal. So we want to work with our producers, and we made these investments because the farming community has come to us and indicated that they want to hand on, to their family members or to sell to a young farmer, a viable business. Farmers come to us and say, "The bottom line, at the end of the day, is that we want to be able to make money in this business. We don't want to rely on programs from the government to keep us alive. We want to make money."

They also recognize in some cases that they would benefit from some support for business training and also to be able to access new technologies in the industry—what's new, what's the latest, what enables them to be more efficient in their farm operations and how they can reduce their input costs.

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There are a number of programs that our government has in the province of Ontario, in partnership with the federal government, to assist and support farmers to build better businesses. And we do look forward, before 2011, to have a program for new farmers as well.

Deputy, I'm not sure if you have any more to add on this particular issue.

**M<sup>me</sup> France Gélinas:** I was not talking about new farmers; I was talking about the size of farms, just to remind you.

**Dr. Bruce Archibald:** I have some information on both numbers of farms, in terms of family farms, as well as average size of farms in Ontario. The last census data we have is from 2006. There were 57,200 census farms in Ontario in 2006. Of those, 31,800 were sole pro-

prietorships; 17,100 were partnerships with or without written agreements; 8,300 were incorporated operations; and then family corporations, 7,500. When you look at family-run operations, either as sole proprietors, partnerships or incorporations, 98.6% of Ontario's farms can be considered as family-run operations.

You also asked about the size of farms in Ontario. As the minister has indicated, the number of farms has decreased over the last 10 years, but the size of farms has increased somewhat. From 1996 the average size was 206 acres, or 83 hectares, and in 2006 it was 233 acres, or 94 hectares. So there has been a decrease in the number of farmers over that 10-year period. The size of farms has increased, and the total amount of land in production has actually increased in the province as well.

**M<sup>me</sup> France Gélinas:** Very interesting statistics. That tells us a good story of the past. I'm also interested in looking to the future and to what the government is doing to influence the future.

What is your ministry's vision as to what the optimum farm should look like in Ontario? I'm talking here in terms of growth and net income from that farm operation. What steps has the ministry taken to achieve that vision?

**Hon. Leona Dombrowsky:** I explained to the member that we do invest in programs, both as a province and in partnership with our federal government, on renewal. These investments enable us to provide farmers with opportunities to understand good business practices, and also to acquaint them—and there's a lot of work.

I think it's important as well to recognize that the real innovation and ingenuity in terms of the transformation of the industry is happening on-farm. Farmers are not necessarily coming to me to say, "We're looking to you to show us the way here." But they certainly are looking for government to assist them and support them when the climate is not making their job easier. I've said in this committee that farmers are really the subject of two climates: the economic climate and the natural climate. When markets are in difficulty, that has an impact on the industry and they do expect government to be there, and I think we can demonstrate that we have. Also, in the natural climate, if there's been a drought or a flood or whatever, they expect us to have programs that enable them to get through a bad year and get to the next one.

What the agriculture community has made very clear as well is that they believe that the key to success in the future going forward is with innovation. We have so many producers out there who are innovating on their farms. That's why we have awards every year. I think that if you have the opportunity to look at who has received awards for on-farm innovation, there are some wonderful things happening.

But they also need investment from government. We have agriculture research institutes across this province that we have supported. We have made investments at the University of Guelph. We know that that is going to support the innovation agenda for agriculture. We have made investments at Vineland particularly; we've talked about that.

We have the most diverse agriculture industry in North America. There's not another jurisdiction that produces more kinds of agriculture products than we do here in Ontario. What we hear very clearly from our partners is that they need government to be there for them when there are challenges. They need government to invest in the innovation agenda. We're working very hard to try and accommodate those asks that come to us from industry.

**M<sup>me</sup> France Gélinas:** The reason for my question is that if a very large agricultural operation which is very innovative and winning all kinds of awards decides to spread their wings across an area, I want reassurance from the government that there is a vision, that there are policies in place that will make sure we keep the family farms and that we don't end up in Ontario, like other jurisdictions, with mega-farms in strategic places of our province, and that's it; that's all. Your answer seems to be that you support the farm, you recognize innovation, but Ontario does not have policies that would prevent mega-farms from taking over all of those little farming operations. If they were innovative, if they were winning awards, they could buy up all the family farms and we don't have anything in Ontario that would prevent them from doing that.

**Hon. Leona Dombrowsky:** I think we do need to be clear that some of the most innovative operations in the province right now—I'd say most of them, the lion's share of them—are family farms. I grew up on a family farm. I would offer that some of the family farms that I'm thinking about right now in this chair are very different than the farm that I grew up on, I will give you that.

Just last Friday, I was at a family farm that, perhaps at one point in its history, was three or four farms. It is now owned and operated by a father and two sons and now the grandson is in the business, too. I think if my father were to look at that farm, he'd think it was a pretty big corporation compared to our family farm. But this is an operation that supports families. I think that there are some farmhands working there. I appreciate the point that the honourable member is making, but I also want to be very clear that our farmers are very resilient, industrious, innovative and ingenious people in the province of Ontario. They provide us with the safest and best quality food of anywhere in the world. I'm not able to sit in my place today and say that—because I have no idea of what the real definition of a mega-farm is. Some might look at the farm I was at on Friday and term it as that; I wouldn't, so I would not be able to make that statement here today.

**M<sup>me</sup> France Gélinas:** How long do I have?

**The Chair (Mr. Tim Hudak):** You have about a minute and a half.

**M<sup>me</sup> France Gélinas:** A minute and a half? Okay. I know you've talked about this a little bit, but the average age of a farmer in Ontario is 53 years old right now. What are the specific policies of your government to encourage young people to take up farming?



1730

**Hon. Leona Dombrowsky:** An important question. In terms of the estimates that are in front of you today, we have a number of programs that support farmers. We also recognize that there's more to do. That is why we are committed to implementing a new farmer initiative before 2011. We have made that commitment and we will work in that direction, because we recognize that what we have in place now is effective but we believe we can be more effective. I'm not able to provide any detail on that initiative at this point in time. I'm very happy that the honourable member has raised it here, because when I press for the direction we need to go and what we need to do, it helps me that the honourable member from the third party has recognized it's an important direction to go to well.

**The Chair (Mr. Tim Hudak):** Thank you, Madame Gélinas. The time has expired in this round.

Government members, this will be the last 20-minute round of this afternoon's session. Mr. Craitor.

**Mr. Kim Craitor:** Minister, the Great Lakes touch my entire riding of Niagara, which represents Niagara Falls, Niagara-on-the-Lake and Fort Erie, and I just want to share with you that quite often I have people coming in who truly care about the Great Lakes and express to me some of their issues about water quality.

This year has been a challenge, because the level of the water has been extremely low. When they come in to talk about water quality, they talk to me about algae blooms and the beach closures, which still persist in our riding. They're not overly critical, but one of the things they're concerned about sometimes, and talk about, is pollution that they feel may be caused by the agricultural sector.

They ask if there's something the government is doing to work with the agriculture sector, because that could be a potential source of pollution in the Great Lakes, and what are some of the things we're doing to work with the agricultural sector to try to ensure that many of the pesticides and things they use to protect and improve their crops—those types of runoff—are not getting into the Great Lakes and having any negative effects. I wonder if you might just touch on some of the things we're working on with the agriculture sector on that.

**Hon. Leona Dombrowsky:** I'm happy to address the question from my colleague. Our government works very closely with our producers to assist and support them. Sometimes when we talk about impacts of farm operations, I think there isn't always a clear understanding within the communities.

My experience has been that farmers are the first stewards of the earth, and they are very cognizant and conscious about why it is so important to protect our environment and our drinking water. Farmers remind me all the time that in most cases they live on the farm they operate. That's where their wells are, and it certainly is in their interest to carry out their operation in a way that's going to protect the drinking water. They don't feel that

way just about their own drinking water; they feel that way about drinking water, period.

I'm going to talk about how we work with farmers as well, because they recognize that as farm practices change, there can be potential impacts on the environment. They are very appreciative of the partnership we have forged with them to assist them in their ardent desire to ensure that the environment is impacted as little as possible.

With respect to some of the initiatives, I'm going to talk to you first about environmental farm plans. Environmental farm plans, in my view, have been very successful in Ontario. They were started in 1993; it was a partnership program between the province of Ontario—OMAFRA—the federal government and the farm organizations that are represented on the Ontario Farm Environmental Coalition, OFEC. So the farm leadership and both levels of government are working in partnership to provide resources to support producers to craft environmental farm plans.

Participation in the environmental farm plan program is voluntary, but there has been very strong support for this program over the years. I can say that we have just recently concluded a partnership agreement with the federal government, Growing Forward, and before I went to Montreal to put the finishing touches on that document, our agriculture partners made it very clear to me that maintaining support for the environmental farm plan program was indeed a priority for them. Again, I think it speaks to the responsibility that farmers take with respect to the environment.

My ministry has the privilege of being the lead in providing technical support to the program, both in terms of development and ongoing technical review. Also, the Ontario Soil and Crop Improvement Association—industry partners, in other words—has a role to play with respect to the educational workshop programs. They deliver those programs. So my staff, to a degree, have a role in supporting the environmental farm plan initiative, but we also partner with the soil and crop people as well.

The federal government made environmental farm planning, based on the Ontario model, a national initiative under the environment chapter of the agriculture policy framework, and that was in 2002. Now environmental farm plan programs or equivalents are available in all provinces. I would say it's a real credit to Ontario farmers. The partnerships that they have forged with the two levels of government have served as an example for provinces right across Canada. I think that may be something that the average person isn't aware of, but Ontario farmers have demonstrated great leadership with respect to environmental responsibility.

I can say that thanks to the partnerships that we have, 23.8% of Ontario farm businesses, 11,778 farms, have prepared an environmental farm plan since 2002—this is a voluntary program, so I think 11,000 farms is significant—and the total combined investment of on-farm environmental projects is greater than \$198 million. That's the total cost when you consider the costs of all of the partners.

You spoke particularly about water quality issues as they relate to the Great Lakes. First of all, I think it's important that I remind folks that agriculture is not the only potential source of pollution to the Great Lakes, but it is a major user of nutrients and pesticides in the production of safe and nutritious food. In an open biological system reliant on the climate and landscape, there will potentially be losses from the land to the tributaries. There is always runoff. However, our ministry has worked alongside other agencies to mitigate the potential losses of nutrient pesticides into the environment. OMAFRA has contributed to Canada's commitment under the Great Lakes water quality agreement as a signatory to the Canada-Ontario agreement representing the Great Lakes basin ecosystem, or COA. We've been a part of that since 1971, and—how recently was it that I signed—

**Dr. Bruce Archibald:** This past year—

**Hon. Leona Dombrowsky:** Yes, this year. I guess it was in the summer that I had the opportunity to renew that commitment on behalf of this ministry. For me, that's very important.

I think it's very significant that the people of Ontario recognize that the agriculture industry is very much a partner and is working to have folks understand that they do want to be a part of the solution as well.

While never receiving funding directly, our actions and programs to address soil conservation, nutrient management and environmental farm planning have been successful and have contributed to achieving Ontario's COA achievements. Under the 2007-10 COA, we have received funding for the first time and have initiated a new OMAFRA Great Lakes program to provide up to \$2.4 million in funding to projects focused on Great Lakes agriculture issues.

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I think for the honourable member, there certainly is a recognition in this ministry and among producers and farmers in Ontario that we all have a role to play to protect the environment. We are ready, willing and able to do what we can to address very serious issues around pollution that come to the table. I am really happy that I've had this opportunity to put on the public record that producers in Ontario are environmental stewards and are very prepared to do what they need to do to ensure that we have safe, clean water for the generations to come.

**The Chair (Mr. Tim Hudak):** Nine and a half minutes, Mrs. Mangat.

**Mrs. Amrit Mangat:** Thank you, Chair. Minister, as you know, we have a five-point economic plan to strengthen our economy by supporting cost-cutting technology solutions, and research and innovation is one of them.

Can you elaborate and let us know what your ministry is doing to support renewable energy production by farmers and food processors and to kick-start green energy on farm projects across the province?

**Hon. Leona Dombrowsky:** That's a great question, and I'm just looking for that in my notes. Maybe when—

*Interjection.*

**Mr. Ernie Hardeman:** You snuck one in.

**Hon. Leona Dombrowsky:** Isn't that good? You like it when that happens, and I do too because it's a great question and an important one.

The member will remember that in our budget of last year, I believe, we committed \$11.2 million to the Ontario biogas financial assistance program. This program has funded 46 biogas system feasibility studies at livestock, greenhouse, crop and food processing facilities across the province. So an \$11.2-million commitment, and 46 projects have access to funding. The funding is available in two tranches. The first is to provide dollars to those agriculture entities—it might be a farm.

I was at a farm on Friday—it was a dairy farm; 250 head—where they had a study done because they want to construct a biodigester. They want to use the nutrients that are produced on their farm to generate energy. They were able to access funding in the first half, or the—I don't want to say "half" because it's not necessarily 50% of the money that's set aside, but in the first tranche of dollars that are available. They embarked on a study; they hired a consultant and indicated: "This is what we have and this is what we want to do. How do we get there?" Once they get that plan in place, then they can apply for the second tranche of money, which is to assist them with some capital investment to actually build the biodigester. That is what has happened in my own riding in this particular operation. There were folks there, a wonderful young family—they had their three children with them—from the neighbouring riding that is in the process of doing the same kind of thing.

So when the honourable member asks about our investments in green energy, this particular event that I was at on Friday will power the entire farm operation—residences, all farm buildings—and will also provide energy for some 400 homes. This initiative is not only adding green energy to the grid, but it's also providing the farmer with another source of income, and it's saving them energy costs. They're eliminating those input costs and they're gaining income from selling the surplus power to the grid. Also, they have inspired a lot of people in our community who have looked at this investment and have recognized that it's a tremendous progressive investment for our community.

There have been 12 operations that have qualified for that second part of the funding that we made available. Four are now operating and generating electricity for the farm operation and selling surplus energy to the grid. I want to say, particularly with regard to the operation that I was at on Friday, I talked about the fact that it delivers them dollars.

By the way, they've also got a partnership, because our plan allows them to access 25% of the feedstock; the nutrient can be from off their farm. They are also partnering with a company that goes around and takes the grease out of the grease traps in restaurants, so that's another source of revenue for them. So they are receiving revenue from there; they are receiving revenue from the



excess energy they're producing for the grid; they're reducing their input costs, because they will now eliminate their energy costs; and for farmers as well, it also reduces the pathogens, those really nasty bacteria that they normally have to deal with in nutrient. That's why we've required that for large farm operations, they have to contain their nutrient. It hasn't been the nicest material to deal with; they've got to store it, but now this stuff that they've got to store is actually going to make them money and it's going to be a safer way to manage the nutrient on their farms. So I really get excited when we talk about this financial assistance program.

Again, we listened to our industry partners. We do what we can to support them, to innovate, and we all are winners as a result of this. This is good for our environment because it is clean, green, renewable energy. It's good for our environment because it's a better way to deal with on-farm nutrient. It's good for the farmer and therefore the community because it has reduced their input costs, so when that farmer does well, he will continue to invest in the community, which is going to be good for the community.

I think it's some of the best dollars that we spend in this file. I get very excited when we can support very progressive and innovative initiatives from our producers.

**The Chair (Mr. Tim Hudak):** You've got about two and a half minutes left at your disposal.

**Mr. Phil McNeely:** One of the projects that I was involved in as a PA to infrastructure was the funding of the rural projects—bridges, roads etc.—that are so important to the rural economy and to the farming industry out there. I know that OMAFRA had other projects as well with the federal government to deliver funding for many of the agricultural projects for municipalities across the province. Minister, could you tell us what those programs were and how much funding there was delivered under the COMRIF program? What sort of projects were funded, and how did that help the rural communities and the agricultural industry?

**Hon. Leona Dombrowsky:** So much to say and so little time, but I'm very happy to respond to the member's very good question.

Yes, we have had an unprecedented investment in rural Ontario. I will speak to COMRIF. We now have the Building Canada fund, and that's another plan for investment for infrastructure. But what I can say is that over the last five years, there has been from this ministry an investment of \$298 million. That represents one third of the investment that has been made in the province of Ontario in rural communities, the other third coming from the federal government and, of course, the final third coming from the municipal partner.

This is the kind of program that was initiated because I had heard for many years, when I was first elected, that there was a longing on the part of municipalities to be able to access those 33-cent-dollar programs. They had some previous experience with that, and they believed that by establishing this kind of partnership program, it

would go a long way to assisting them to address the infrastructure needs in their community.

That is why we did sign an agreement with the federal government for an infrastructure program. We made it very clear that we wanted infrastructure that was going to help all of us achieve our collective goal, and that was to build stronger, safe communities.

*Interruption.*

**Hon. Leona Dombrowsky:** Mr. Chair, I don't know what happens when the bell rings.

**The Chair (Mr. Tim Hudak):** We're checking it. Do you know what? It pretty well concludes our time, Minister. Thank you very much. Mr. McNeely, thank you for that last question.

Some quick items of business, as we're waiting to see what's happening in the Legislature: As a policy, the clerk keeps track of questions that ministries have not responded to. We chase them down so members can have the benefit of the answers that come back from the ministries. If there's a ministry that's gone beyond 30 days from the day that they were here in committee without responding to a question, they'll receive a letter from me as Chair. I want members to know that I'm writing to the Ministry of Economic Development and Trade. There are some outstanding questions that have not been answered as of yet. I am happy to report that the other ministries that have appeared before the committee 30 days or more ago are all caught up with their answers. So we only have one miscreant at this point in time, and we'll hopefully get that straightened up.

Item number 2: This committee is at the call of the Chair, but it really is supposed to meet after routine proceedings. With the new House rules, what we've generally done is meet at 4 p.m. I've asked members of the committee if we could start at 3:30 or when routine proceedings conclude, whatever is the latter. I don't have full support for that. So what I'm going to do as Chair is, we'll continue then with the 4 o'clock starts in the afternoon sessions for the remainder of the ministries, but I will give a heads-up that, beginning in our next session of estimates in 2009, we'll go back to 3:30, where this committee used to be for their starts. I think that way, we can actually get through the estimates faster. It adds on an hour each week and it's back to what our status quo was before the new rules.

A last item of business: We do have now approximately an hour left, which will be one full rotation, beginning with the official opposition, the third party and then the government members. That will be on Tuesday, October 28. Minister, it's a morning session, from 9 until approximately 10 a.m., and then we'll conclude the Ministry of Agriculture and begin with the Ministry of Finance at 4 p.m. that day, Tuesday, October 28.

Having covered all the bases, folks, thanks very much, Minister and staff, for being here again with us today. Members, thank you. You all have a good afternoon.

This committee is now adjourned.

*The committee adjourned at 1751.*







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M<sup>me</sup> France Gélinas (Nickel Belt ND)

#### **Also taking part / Autres participants et participantes**

Mr. Ernie Hardeman (Oxford PC)

#### **Clerk / Greffière**

Ms. Sylwia Przewdziecki

#### **Staff / Personnel**

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# Official Report of Debates (Hansard)

Tuesday 28 October 2008

# Journal des débats (Hansard)

Mardi 28 octobre 2008

## Standing Committee on Estimates

Ministry of Agriculture,  
Food and Rural Affairs

Ministry of Finance

## Comité permanent des budgets des dépenses

Ministère de l'Agriculture,  
de l'Alimentation et  
des Affaires rurales

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 28 October 2008

Mardi 28 octobre 2008

*The committee met at 0859 in room 151.*MINISTRY OF AGRICULTURE,  
FOOD AND RURAL AFFAIRS

**The Chair (Mr. Tim Hudak):** Good morning, folks. I'm calling back into session the Standing Committee on Estimates for the last day of hearings with the Ministry of Agriculture, Food and Rural Affairs. There is a total of about 55 minutes remaining on the clock, which will include votes. So what I'm going to do is have 15 minutes per party. That will leave us time to do the votes or any remaining debate so that we fit within the time frame. So that will be a full rotation.

When we last met, the government members had finished their questioning, so we'll begin with the official opposition for about a 15-minute turn, and then we'll have some end-of-session business to conduct.

**Mr. Ernie Hardeman:** Thank you very much, Mr. Chair. My colleague from Haldimand-Norfolk will start off with some questions, and then I'll finish off the 15 minutes.

**The Chair (Mr. Tim Hudak):** Outstanding. Mr. Barrett.

**Mr. Toby Barrett:** Thank you, Chair. A question of the Minister of Agriculture: You're certainly aware of some of the problems with the Ontario cattle, hogs and horticulture program. Some farmers have been missed; we hear talk of 100 or so young farmers, primarily hog, and some in cattle and hort as well.

I had a very good tour yesterday of a fairly large hog operation—600 sows—at Bartside Farms. This is a classic case of where some farmers have been missed. Wayne Bartels gave me a tour; he's 35. He runs it with his brother Geoff, aged 28. They built their barns in 2004 and 2005. They spent \$3 million, a great boost for our local economy. They received nothing. They're aware of some retired hog farmers and some deceased hog farmers receiving funding, and their operation is, in my view, anyway, in trouble. I know their line of credit dropped from \$250,000 down to \$170,000, and they borrowed \$400,000 at the beginning of this summer and have gone through that. They're in trouble; they have fallen through the cracks.

We had a good discussion inside the barns. The question they asked me to relay to you: Given that we're aware that some farmers have been missed, young farm-

ers, they want to know, since then, has there been any headway made? Is there any suggestion of any kind of an add-on program? We understand that there'll be taxation data becoming available soon that may identify those like the Bartels family, who just began in the hog business a few years ago. So if new financial data from 2007 would be made available, is there a way that we could work through this just to capture these other young farmers? I can assure you, I spent all morning in the barn, and these guys, just by timing, got caught.

**Hon. Leona Dombrowsky:** I want to thank the member from Haldimand-Norfolk for the question—very similar to other questions from your colleagues on this issue.

It gives me an opportunity to—I hopefully will be able to clarify that when we were asked to consider additional support for the cattle, hog and horticulture sector shortly after the election last year, the industry leadership put forward the case that because there had been some long-standing hurt in the industry year over year over year, producers in those sectors had not posted profits in their operations. That cumulative effect had presented some particular hardship, and there was a need to address that situation. There was a range of reasons that had been presented: the low Canadian dollar—or the high Canadian dollar; I'm sorry. I'm thinking about today. Then, the Canadian dollar was high. There were very serious issues around the cost of feed and so on, coupled with the fact that some in the cattle sector particularly had really never recovered from the BSE crisis. That is why we arranged the program the way that we did.

With respect to the member's question, for those producers who were more recently in the industry, we did use data that was gathered through the federal cost-of-production program. Anyone who would have made application to the federal cost-of-production program by September 2007—so that would have been a little over two, almost three months before the announcement was made by the Minister of Finance last December—would have qualified for consideration in the program. I think that's very important, because that federal cost-of-production program would include those producers who began farming in 2005 and 2006, and it would allow us to flow money.

The reason we used the federal cost-of-production program—the federal government obviously wanted to design a program that would flow money quickly to producers. Because that is what we heard the need was

among the sectors, that is why we decided that was the best, most appropriate vehicle to deliver those additional funds. I would also offer that we were very disappointed, of course, that there were no federal matching dollars to this program. However, I would offer at this committee that the federal government did provide advance payments to producers who had cash flow—the member, I think, specifically identified some cash flow issues, and that was the purpose of advancing dollars in programs that they would be registered in before they might otherwise receive the dollars normally through the program.

I think it's important that we clarify that the dollars that were identified were there because it was expressly the view of the stakeholders, the leadership, that there had been some long-standing hurt, that that needed to be addressed, and they wanted the money as quickly as possible. That is why we followed the federal cost-of-production program model.

**The Chair (Mr. Tim Hudak):** Mr. Barrett, you're happy with the answer? I think Mr. Hardeman wanted to ask a question.

Okay, Mr. Hardeman.

**Mr. Ernie Hardeman:** I believe the answer was no, you're not considering any further program for these young farmers. Obviously we've covered that off, Madam Minister, in previous meetings.

I wanted to go to some of the other points in the estimates. The Ontario ethanol growth fund: In 2007-08, the estimates had \$23 million; in 2008-09, \$27.23 million. Yet in 2007-08, even though there was \$23 million in estimates, there was only \$9.5 million spent. What's the holdup in getting the money out for the ethanol fund? Obviously, if you estimate to spend that much, you would look forward to getting that much spent. I noticed that in quite a number of areas where there's been money allocated in the estimates, when it comes to public accounts there's no relationship between the estimate and the spending.

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**Hon. Leona Dombrowsky:** I'm going to ask ministry staff to give you a more detailed accounting with respect to the numbers that you referred to, but I would also offer that when we established the ethanol growth fund, we did invite applications and then we reviewed the applications. They were successful. But the payment of the funds are certainly dependent on the successful applicant demonstrating that their project has moved along. There have been situations across the province where, for a variety of reasons, the producers were not able to get their operation up and running as quickly as they had anticipated.

**Mr. Ernie Hardeman:** I understand that, Madam Minister. My question really is—not just in the ethanol growth fund, but it seems to be prevalent in a lot of the estimates where we're estimating to spend a sum of money, and that's budgeted for, and then it seems almost in every case in which we have a program where we estimate that we can't seem to meet the spending criteria to get it into public accounts when we said we would. Is

that bad judgment or bad design of programs that causes that to happen?

**Hon. Leona Dombrowsky:** I think I need some direction because the member asked particularly about the ethanol growth fund. I've just given a general answer—

**Mr. Ernie Hardeman:** It referred directly—no, it's directly to the ethanol fund, but we've had the same problem with the drainage, a number of other ones, that the money is estimated to be spent and then it's not. I think we have a right to know whether it's a design problem or whether it's assuming that you could get something done that couldn't be done in that period of time. Maybe if you, as you suggested, let the deputy answer, maybe he could tell me that

**Hon. Leona Dombrowsky:** This would be particularly on the ethanol growth fund? I just need to be clear.

**Mr. Ernie Hardeman:** My question is to the growth fund, yes.

**Hon. Leona Dombrowsky:** Deputy, would you be able to respond to that?

**Dr. Bruce Archibald:** As we formulate our requirements in the budget and for our results-based planning piece that goes into the estimates piece of our budget, we talk with program design folks and we talk with industry in terms of expected expenditures, particularly on the capital side. On the ethanol growth fund in particular, there were a number of applicants who had put forward requests for capital funding. There were various rationales or reasons why things were delayed: approvals in terms of bringing in water lines, difficulty in terms of securing supplies, which often the applicants don't tell us about until fairly late in terms of the fiscal year. So I think we always go forward with the best estimates possible in terms of what actually can be expended and we try to examine these things and rely on the information of our stakeholders in terms of, "Are they keeping on track?" I think in the case of the ethanol growth fund there were some significant delays for a couple of the recipients in terms of building the capital infrastructure involved, which resulted in reprofiling those dollars in out years.

**Mr. Ernie Hardeman:** If we go on to the strategic partnerships, there the numbers are skewed extremely in the opposite direction. I'm sure there's a reasonable explanation, but the estimates for 2007-08 was \$632,000; the expenditure was \$58,227,000. I wonder if there's an explanation for that from the deputy.

**Dr. Bruce Archibald:** What happened on that one was that as the government was looking at various areas to make fourth-quarter investments, it was decided that there would be a strategic investment in the University of Guelph of \$56 million to advance the innovation agenda, particularly in the area of bioproducts and new transformation areas, so there was an additional expenditure of \$56 million that wasn't actually in the original budget plan.

**Mr. Ernie Hardeman:** Is that the same investment in the university that's made regularly each year for the research that they do, or is that over and above that research money?



**Dr. Bruce Archibald:** Yes, this was—

**Hon. Leona Dombrowsky:** That would be over and above.

**Mr. Ernie Hardeman:** The drainage program has the same problem. It has a major overestimate, under-expenditure. Is that strictly based on the drainage work that's taking place? Do we know more applications than that? I remember years ago, the amount of drainage work being done in agriculture was in fact limited by the amount of money available in the loan program. Looking at these estimates, I find it rather strange that we would have so much more money than we have projects going on. Is it strictly the state of the economy in agriculture—that they're not draining as much?

**Hon. Leona Dombrowsky:** The deputy will respond.

**Dr. Bruce Archibald:** This one, again, is a function of the municipalities estimating what they believe they can expend under the program and then actually not being able to get the work done within the time periods allotted.

**Mr. Ernie Hardeman:** To dwell just a little bit on the transitional assistance for meat processors, again, we only have a third of the money spent. That's the same thing—we've over-guessed or underestimated the use of the program or the ability of the program to use the money that was available?

**Dr. Bruce Archibald:** Again, I think this is another example of when people first applied to the program, they put forward a budget and expected expenditures throughout the fiscal year. Particularly for a brand new program, I guess it's not overly surprising that some of these folks have overestimated their expenditures, so that's why there is an under-expenditure in-year.

**Mr. Ernie Hardeman:** I noticed in the estimates for 2008-09, there is nothing for nutrient management. Is that because it's put in a different category?

**Dr. Bruce Archibald:** My understanding is that the program is completed, so that's why there is no expenditure for 2008-09.

**Mr. Ernie Hardeman:** So there's no more government involvement with it; it's now on the ground working, and all the other financing will be through other departments, other programs?

**Dr. Bruce Archibald:** This particular program is completed, so there is no more funding under that program.

**The Chair (Mr. Tim Hudak):** Sorry, Mr. Hardeman, that does conclude the time in this round. Thank you both, Mr. Hardeman and Mr. Barrett. Mr. Hampton, third party, you have 15 minutes.

**Mr. Howard Hampton:** Just a follow-up to something Mr. Hardeman asked; there is no longer a program for nutrient management and no more program funding for nutrient management?

**Hon. Leona Dombrowsky:** If I may, when the Nutrient Management Act was passed initially, there were no dollars to assist or support farmers to comply with regulation. When we came to government, we set aside \$23 million, I believe, and we added to that. That was to

enable those existing operations that would now be required to not just have a nutrient management plan but also to make investments to comply—these dollars were set aside to assist those operations to come into compliance. In any new operation, that's a given, so we don't subsidize any new operation. I think it makes sense that for those who are looking to get into the industry, it's a part of their business plan to comply with the regulation.

This fund has been in place, and there was very healthy subscription to it. In fact, because we did not have enough set aside to meet all the demand, we did add to it. Now those operations have received the funding; they are able to comply with the regulation.

I think there's also another piece to this that I would like to identify to this committee. We have recently signed the Growing Forward agreement with the federal government. The money that we've set aside so far—there was no cost-sharing. But we do look forward to working with the federal government to put forward programs that will assist farm operations in their endeavour to protect the environment.

**Mr. Howard Hampton:** So I take it, then, that you're saying the nutrient management problem is 100% solved?

**Hon. Leona Dombrowsky:** I believe the government has recognized that we have a responsibility when we implement new regulations to assist those operators who need some help. That's why we put the program in place; they access the program. I think as far as managing nutrient on-farm, what I've come to experience is that farmers are always looking for new and better and innovative ways to manage it. I'll use our biogas program as an example, where instead of storing nutrient, as the Nutrient Management Act would require for some operations, they can now use it to produce energy on-farm and sell it to the grid. Is it solved? I think we continue to work on that.

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**Mr. Howard Hampton:** My sense would be that, of the existing farmers who were out there when the Nutrient Management Act came into place, there are a lot of them who are still having a fair amount of difficulty complying with the legislation and the regulations. So if there's no more funding for nutrient management, what do those farmers do?

**Hon. Leona Dombrowsky:** I have to say that I have not heard from any of the leadership of farm organizations that have asked us to look at that issue particularly, but I'd be happy to ask staff if they would like to comment in terms of the work that we've been able to do with the investment we have made to date.

**Dr. Bruce Archibald:** I'm going to ask Dr. Stark, who is the assistant deputy minister responsible for this program, to make a few comments on the nutrient management program enforcement and then also on the Growing Forward initiative. Deb?

**Dr. Deb Stark:** Thank you. I am also a bit surprised to hear that farmers who are under the nutrient management legislation are finding it difficult to comply. That's

not something that we're hearing in a general way. We have a number of staff who are across the province willing and able to work with those individual farm operators and to help make sure they do receive the supports that they have.

As to the nutrient management enforcement itself, the Ministry of the Environment has what we call a graduated inspection system, so they spent a couple of years just getting on the farms and working with the farmers before taking any kind of compliance action, and this was the first year that they actually were out there saying, "Now if we see something, we're going to have to take action"—that being, of course, with the proviso that at any time, if they saw something that was a significant risk to the environment, they would have taken action. But just from verbal indications—and I do not have specific numbers—from my colleagues at the Ministry of the Environment, they have been very pleased at the level of compliance that they've found as they have been out there working with the individual producers.

**Mr. Howard Hampton:** So it's your position that there's no more nutrient management funding, and a nutrient management program is not needed in the Ministry of Agriculture, Food and Rural Affairs?

**Hon. Leona Dombrowsky:** If I may, Mr. Chair, we consult very closely with our stakeholders, and, as I indicated before, we meet with them regularly, and this is not an issue in terms of a pressing need that they have brought to our attention. In fact, in recent months, I cannot think of a stakeholder that has brought to me a need to consider some additional funding to enable producers to comply with that regulation.

**Mr. Howard Hampton:** Okay.

Over the last few days, my colleague the member for Oxford has asked a number of questions about the Ontario cattle, hog and horticulture payment program. We're told that over 2,000 hog producers left the industry between 2000 and 2006. Is that a correct number from the ministry's perspective, that over 2,000 hog producers left the industry?

**Hon. Leona Dombrowsky:** I'm going to ask the deputy to respond to that.

**Dr. Bruce Archibald:** I don't know if that's a correct number or not. I know there's been some rationalization in terms of the industry, so the exact number—I guess we would have to go back and look at our database and see if that kind of contraction has happened at that kind of level.

**Mr. Howard Hampton:** One of the other things that my colleague from Oxford has asked about is the fact that, because of the use of the years 2000 to 2004 as reference years for the cattle, hog and horticulture payment program, money has in fact gone to retired, bankrupt or even deceased farmers. The ministry acknowledges that.

**Hon. Leona Dombrowsky:** What I would acknowledge is that we've used the same method of calculating entitlement to these dollars as the federal cost-of-production program. In terms of who receives the money,

I have heard anecdotally—when cheques are delivered, it's based on information that we have in our system as a result of their application to our programs.

I'm going to ask the deputy as well to weigh in on this by way of response and perhaps explain that the way our programs are set up, we do rely on end-of-year information, so it is entirely possible that someone would qualify for a business risk-management payment because they lost money when they were in the business. It may in fact be that they are no longer in the business when they receive the cheque, but they have presented information to this ministry consistent with the way all other producers right across Canada provide information for these programs.

Deputy, would you perhaps explain a little more for me?

**Dr. Bruce Archibald:** Right. Thank you, Minister.

As the minister has stated, the programs are, by design, based on actual farm income data, so it's always a historical perspective.

This was intended, as these programs were developed jointly between federal and provincial governments, to ensure that they were trade-neutral. One of the big concerns in this sector, particularly in the hog sector, is ongoing threat of countervail challenges, trade challenges. They have had to sustain a number of those types of challenges. One of the ways in which we've been advised by trade experts to get around those types of issues is to look at injury from a historical perspective so you're not actually influencing decisions in-year, potentially making market decisions for producers as a result of government program.

Because they are historical, there is always the potential that individuals who were in production in that time period or in 2005 or 2006 may have exited the industry, but the fact of the matter is they still sustained the injury. They provided the documentation in terms of income tax returns and are eligible to receive the payments allocated under the program.

The other thing is that even though there was a reference period chosen based on the federal cost-of-production payment, producers who entered the industry in 2005 or 2006, as the minister has previously stated, were also still eligible provided that they applied for the federal cost-of-production payment up to September 2007. There was a small window of time when individuals would be missed by this program, but individuals who were new into the business in those time periods were still eligible for payment under the program. Those who came in after that period were eligible for advance payment programs both through the federal and provincial AgriStability, formerly known as CAIS, programs as well.

**Mr. Howard Hampton:** Well, what we've been told is that the effect has been that money from this program has gone to retired, bankrupt or deceased farmers. On the other side of the ledger, many younger beginning farmers have had a much more difficult time in terms of the financial support that they received.



Mr. Hardeman asked how many cheques went to farmers who were retired or deceased at the time the cheque was issued. I'm going to ask a further question with respect to that: Can you also provide information on the total dollar amount of those cheques? We want to know how many cheques went to farmers who were retired or deceased; we also want to know—you don't have to identify people—the total dollar amount that went to retired or deceased farmers.

I also want to know how many cheques were issued to hog farmers who were bankrupt at the time the cheque was issued and the total amount of money that went to those farmers. I'd also like to know how many beef farmers—and I don't expect you have these numbers with you right now, but I think we need to know this—who received support through the program were retired, deceased or bankrupt at the time the cheque was issued and the total dollar amount that those farmers would have received.

0930

This is more of a question, I think, that you can answer: Do you track the number of new or beginning farmers by commodity? In other words, does OMAFRA keep track of, let's say, the number of new farmers entering the beef sector, new farmers entering the hog sector, and so on? Does OMAFRA keep figures like that, or do you have access to figures like that?

**Dr. Bruce Archibald:** Anyone who registered under the farm business registration requirements—so this would be in order to be eligible for a number of various benefits that producers receive—would have to make a registration. So we do keep track in terms of new numbers in those areas. We don't break it down by commodity, but when they apply for programming, that information is included in their applications because it's part of the tax data they submit.

**Mr. Howard Hampton:** Just a follow-up question: How many new farmers have entered the livestock and horticultural industry since the year 2000?

**Dr. Bruce Archibald:** We'll have to get that data, as well.

**Mr. Howard Hampton:** I want to know how many of these could be considered young farmers, let's say those under 40. Could you tell us that?

**Dr. Bruce Archibald:** I don't know whether we have age data on individuals, but we can look at that.

**Mr. Howard Hampton:** That's fine.

Chair, I have a number of questions that I wanted to ask, but—

**The Chair (Mr. Tim Hudak):** Do you mind reading them into the record?

**Mr. Howard Hampton:** I want to give them to the clerk, if that's okay, and deem them read into the record.

**The Chair (Mr. Tim Hudak):** The procedure I follow, as Chair, is I need them read into the record, and then I'll find them acceptable and have the ministry pursue them. So please go ahead.

**Mr. Howard Hampton:** I won't possibly get them all read into the record.

We know that hundreds of beginning pork and beef farmers did not receive support through the OCHHP, because the program is based on 2000-04 revenues. It seems that it was known from the onset of the program that using the cost-of-production payment as the base for the program was flawed, but the flaw was accepted due to the desire to flow money more quickly, and as you pointed out, there were some trade issues. My question is this: Why was nothing done to address these flaws in the program after the money went out, to make sure that farmers who were unfairly left out also received support?

Many of the farmers left out have been forced to take on extra debt. I'm sure you would agree with me today that carrying debt, having to rely on debt financing, or having to refinance debt under current economic conditions is not a situation you want any farmer to be in. Will the government commit now to provide retroactive assistance to these deserving farmers who did not qualify for funding but are now carrying very high debt loads at a time when I don't think anybody would want to be carrying debt?

If there is no money left in the OCHHP program, why won't the government implement a second phase of funds to support farmers who lost out in the first place due to the program's inconsistency?

The Ontario Federation of Agriculture and others have called for the government to base future programs on industry average allowable net sales for the size and type of farm that a typical beginning farmer would operate. In other words, they say it's possible to sit down and develop an economic description of what most new farms would look like and therefore base the funding program on that. Will OMAFRA do this to ensure fairness?

**The Chair (Mr. Tim Hudak):** Mr. Hampton, that does conclude our time. This is maybe the first time we've faced this in this round of estimates, and it's just how I proceed, as Chair. Each ministry has anywhere from five to 10 hours for questions, and that's often a lot of time. But that helps members to prioritize their questions. If members do run out of time, I ask that they ask them orally in the time that's permitted. I don't allow written questions, because we could have a large number of questions that come in, as opposed to prioritizing them. So, thank you for your understanding on that.

**Mr. Ernie Hardeman:** Recognizing your ruling, I do want to point out that I was under the understanding, from the previous day, that we could submit questions with the clerk. Having heard your ruling, I do have a one-line question I would like to ask that would help facilitate the questions Mr. Hampton was talking about. I think it would make it easier for the minister to—

**The Chair (Mr. Tim Hudak):** Unfortunately, the opposition's time has expired. If you want to ask a question, you would have to have consent from the other committee members to add on that question.

**Hon. Leona Dombrowsky:** I would offer that I would answer it in question period, or an order paper question.

**The Chair (Mr. Tim Hudak):** Is there support for Mr. Hardeman to ask one last question for ministry follow-up? Okay.

**Mr. Ernie Hardeman:** Thank you very much. The question is very simple: How many of the farmers who shipped hogs in 2007 did not receive a payment from the Ontario cattle, hog and horticulture program? I think that goes along with the question I asked before, which I hope to get a written reply to.

**The Chair (Mr. Tim Hudak):** Again, that's how we will proceed. If we get to the end of the time and members still have questions, I ask you to present them orally as part of the record. If you want to submit a written version for clarification, that's fine, but I want all questions asked on the record through Hansard. Thank you for your understanding on that.

We have now 15 minutes for government members. Mr. Rinaldi.

**Mr. Lou Rinaldi:** I don't have any questions, but I just want to make a couple of comments, if I may, and leave some time for the minister to make any final comments she might want to make.

First of all, I'd like to take the opportunity to thank the minister. I think it's been a good session; I think there was a lot of information—and somewhat co-operative from all sides. I'd also like to thank the minister's staff for their hard work in putting forward all the information. Needless to say, ministry staff from the deputy down were very helpful in providing answers and also follow-up on any unanswered questions. Thank you very much, Chair, and thanks to committee members for once again going through this particular ministry in a somewhat fair and understandable manner. We did get some answers.

At this time, I would leave whatever time the minister needs to make some final comments.

**Hon. Leona Dombrowsky:** How much time do we have left?

**The Chair (Mr. Tim Hudak):** You have 13 minutes and 30 seconds.

**Hon. Leona Dombrowsky:** I think I can do it in that amount of time.

First of all, I would like to thank all members of the committee who have come out for the last, I think, four sessions. Thank you very much for all your questions. As Minister of Agriculture, Food and Rural Affairs, I'm always very happy when this ministry has an opportunity to talk about the work it does, and also to understand from all members of the Legislature those issues that are important and that you need clarification on. Certainly we've done our best during these proceedings, and we will do our best to get you answers to the questions that have been filed at the table—I understand it's within 30 days. We very much appreciate the opportunity to present the estimates of this ministry.

I think it would be important at this time as well to thank all the people who are involved in this industry: farmers, food processors and the people who are focused on economic development, particularly in rural Ontario. I work very closely with all those partners, as I know members at this table do. There are members at this table who represent rural ridings particularly, and you have brought their issues and concerns to me, in some cases

directly and in some cases by way of letters. I thank the farmers especially, who have, in my view, encountered and managed through some significant challenges and are continuing to do that, and still enabled us to say that the second-largest economic driver in this province is the agri-food sector. Our economy is the better for all the hard work they do and for their commitment.

The way we come to understand issues in the industry is through direct contact with the leadership of farm organizations and food-processing organizations and with rural economic development representatives. Again, I think they have done an excellent job. I believe we have cultivated a spirit of partnership and co-operation, and while we may not be able to address all their issues, I think we have certainly demonstrated that this is a government that is prepared to work with them and, when possible, address the issues.

I would also like to thank the members of this committee. I think all parties have recognized the work at the Ministry of Agriculture, Food and Rural Affairs. I have to say that it's a tremendous privilege to lead this file and the calibre of people who work on behalf of the people of Ontario to deliver the programs in the agriculture and food industry. I hear time and again, as I'm sure you do in your ridings as well, about the great working relationship that staff at the ministry have developed with our constituents and with industry partners.

I think it's important that, as minister, I take this opportunity to say to all those under the leadership of Deputy Archibald, thank you very much; you're doing a good job. Again, I think we are able to achieve what we do when we are able to work co-operatively in that spirit, and that has been recognized more than once at this table. I'm always delighted when I hear that. I would encourage the staff to continue their very good work on behalf of the people of this province.

Mr. Chair, that concludes my remarks at this time.

**The Chair (Mr. Tim Hudak):** We still have nine minutes, if any other government members have questions of the minister.

**Mr. Lou Rinaldi:** Chair, does the time get redistributed if we don't use it, or does that end the session?

**The Chair (Mr. Tim Hudak):** We'd have to have all-party consent if you want to redistribute the time. Otherwise, if you're finished with your questions, then that concludes—

**Mr. Lou Rinaldi:** I don't have any further questions.

**The Chair (Mr. Tim Hudak):** Okay. Thank you very much. We will now proceed to the formal part of our estimates consideration.

For the estimates of the Ministry of Agriculture, Food and Rural Affairs:

Shall vote 101 carry? Carried.

Shall vote 107 carry? Carried.

Shall vote 108 carry? Carried.

Shall the 2008-09 estimates for the Ministry of Agriculture, Food and Rural Affairs carry? Carried.

Shall I report the 2008-09 estimates for the Ministry of Agriculture, Food and Rural Affairs to the House? I will do so.



Last items of business:

—We did receive follow-up answers from the Ministry of Agriculture, Food and Rural Affairs—thank you for doing so, Minister and ministry staff—as well as from the Ministry of Labour. Members have received copies of those responses. These are outstanding questions with responses, as well from the Ministry of Labour. It's good to see the ministries responding to members' questions on a timely basis. We thank them for that. I did send a letter to the Minister of Economic Development and Trade asking for those responses, which are well overdue.

—You have received a memo on special warrants, courtesy of Larry Johnston in the research office. You may have noticed in your estimates binders the appearance of the term “special warrant” in a lot of the estimates tables. It's a bit of background material, at my request for members' information, on what that particular item in the estimates binder means.

—Having now concluded Agriculture, Food and Rural Affairs, we will reconvene this afternoon for the Ministry of Finance for 10 hours. We'll start in the afternoon session and continue with the Ministry of Finance on Wednesday and next week as well.

Minister Dombrowsky, Deputy Minister Archibald and Ministry of Agriculture, Food and Rural Affairs team, thank you very much for your attendance here and for your responses to the members' questions. Members of the committee, thank you for a very enjoyable session. We're now recessed until 4 this afternoon.

*The committee recessed from 0942 to 1606.*

## MINISTRY OF FINANCE MINISTÈRE DES FINANCES

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. The Standing Committee on Estimates is back in session for our ordinary afternoon sitting.

We're here today for the consideration of the estimates of the Ministry of Finance for a total of 10 hours that we're all looking forward to—10 hours.

**Hon. Dwight Duncan:** Is that all?

**The Chair (Mr. Tim Hudak):** It's the record this time around, by the way.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so the ministry can respond accordingly. If you wish, at the end of each session, have that person speak with Ray, our research assistant, just to clarify, if any things weren't clear during the estimates discussions.

Any questions on procedure before we start?

Okay, folks, I will now call vote 1201. That means we'll begin with a statement of not more than 30 minutes by the minister himself, followed by statements of up to 30 minutes by the official opposition and the third party.

Then, Minister, you'll have 30 minutes for your reply, and that will get us to the end of the session for today's hearing in this committee of estimates.

When we resume on Wednesday, the remaining time will be apportioned equally among the three parties, beginning with the official opposition. Good stuff?

Minister, the floor is yours. You have 30 minutes, sir.

**Hon. Dwight Duncan:** Thank you, Mr. Chair, and good afternoon.

I am joined this afternoon by my deputy minister, Peter Wallace. Peter just assumed his current assignment in September. He has a career in the Ontario public service that dates back, I think, some 26 years, in a variety of senior capacities across a range of ministries and across a number of governments of different political stripes. Peter will represent the ministry ably here, joined by a cast of a number of individuals, senior officials, from my ministry, behind me and in the seats for the public.

I would like to thank all of you for the opportunity to address the committee, and I look forward to sharing with you the things we are doing at the Ministry of Finance to continue moving Ontario forward.

Today, I would like to tell you about the McGuinty government's 2008 fiscal plan, to update you on the Ontario economy, to report on some of our achievements for the past year and the various measures we are taking to manage our resources.

Aujourd'hui, je voudrais vous parler du programme fiscal de 2008 du gouvernement McGuinty. J'aimerais aussi vous donner un compte rendu sur l'économie de l'Ontario, vous parler de nos accomplissements de l'année passée et des mesures que nous prenons pour bien gérer les ressources du gouvernement.

Since my budget in March, private sector economists have been changing their projections about growth in the US and Canada, and the world, at a rapid pace. In this age of global economic uncertainty, today's numbers are tomorrow's ancient history.

Today's economic circumstances led Doug Porter of the Bank of Montreal to recently say, “Trying to do an economic forecast right now is like trying to put a value on your house while the kitchen is on fire.” The University of Toronto's policy and economic analysis program put out a release a couple of weeks ago entitled, Short-Term Outlook: We Don't Have a Clue and We're Not Going to Pretend That We Do. The wit and underlying seriousness of these comments are evident. Still, as finance minister, I am compelled to assess how things have changed and what we will do next. Three guiding principles will help us rise to the challenges facing Ontario today.

First, the McGuinty government's five-point economic plan continues as the foundation of our approach to today's economy.

Second, the government will continue its prudence while maintaining the ability to respond quickly to changing economic circumstances.

Third, the government will do everything it can to protect the gains made by Ontario, while taking a balanced, comprehensive approach to future growth.

We will be prudent and cautious, but we'll move quickly to respond to changing circumstances. In the absence of hard numbers, judgment and intuition will guide our thinking.

We will continue to consult widely and involve as many people as possible in decision-making. As I said earlier, we are in the age of global economic uncertainty. Based on the information we have today and on the private sector forecasts that are ever-changing, we project economic growth at 0.1% for 2008. The private sector forecast, on average, for 2009 is 0.7%. As a result, we expect our revenues to decline.

Expenditures in some areas will continue to increase due to the increased need for our programs during difficult times. Due primarily to lower revenues, the government is projecting a \$500-million deficit for fiscal year 2008-09. This represents one half of 1% of the 2008-09 revenue outlook. Our government is making a conscious decision to allow for a deficit in order to protect the services most important to Ontarians.

Our government is continuing to encourage long-term economic growth and doing everything it can to protect key public services. At the same time, in order to deliver the services most vital to the ongoing health of our province and its people, we have to achieve savings in a number of areas. We will manage the deficit while recognizing the government has a role to play in promoting economic growth and encouraging stability.

We were able to balance the budget and erase the hidden \$5.5-billion deficit that was left by our predecessors and we have balanced the budget for the three years that followed. At the same time, we've been able to make investments in the key priorities Ontarians elected us to do.

Like Ontario families do when faced with economic challenges at home, we too will tighten our belts. We are taking immediate action to implement fiscal restraint. We will continue to achieve savings in a number of areas and will delay and slow down the launch of some new spending. For example, in 2004, we said we would find \$750 million in efficiency savings; in fact, we found \$806 million in annual savings that year. Two hundred million dollars more will be saved through a more streamlined purchasing process, vendor rebates and new vendors of record—decreasing procurement costs. One hundred million dollars will be saved through the consolidation of desktop management and rationalization of common services and applications across the Ontario public service; reduced inbound toll-free and outbound long-distance telephone costs. Fifty million dollars was found via reduced accommodation costs by better aligning real estate needs and retrofitting government buildings so they use less energy. Improving the collection of the government's accounts receivable and increasing the use of electronic funds transfers, resulting in more efficient management of government revenues, resulted

in \$57 million in savings. Program review, ministry efficiencies, and a central agency review and integration resulted in the remaining \$399 million in annual savings.

While we have been making investments and finding efficiencies, we have also been reducing the accumulated deficit. The accumulated deficit-to-GDP ratio has been declining steadily since we took office. We are now looking at a ratio of 17.8% for 2008-09, down from 25.2% in 2003-04.

Our budget this year continued our government's strategic investments in Ontario's greatest strength, its people. Since 2003, we have invested in programs and services to help individuals, families and businesses reach their full potential: publicly funded education, universal health care, modern infrastructure, and support for vulnerable citizens and a greener Ontario.

We have been able to support these priorities for Ontarians because of our disciplined and prudent fiscal management and because of our five-point economic plan. For five years, the McGuinty government has invested in what matters most to Ontarians and helped to prepare the province for the uncertainties it faces today. These investments continue through our five-point economic plan, which responds to the needs of individuals, families and businesses by investing in skills and knowledge, investing in infrastructure, lowering business costs, strengthening the environment for innovation, and forming key partnerships. We are using these strong pillars to move Ontario forward and make it attractive to businesses and people.

Since October 2003, the Ontario economy has created 501,800 net new jobs. Over this same period, the unemployment rate has fallen from 7% to 6.4% in September 2008. Of these net new jobs, 334,400, or 67%, were full-time and 167,400, or 33%, were part-time. The majority of the net new jobs created in Ontario since 2003 have been in high-skilled, high-paying occupations. There has been strong employment growth in sectors paying above-average wages, including: health care and social assistance—more than 89,200; the education sector—more than 98,000; the construction sector—more than 73,500; professional services—more than 62,100; and finance—more than 47,800. So far this year, we have created 104,000 net new jobs; 83% of these jobs have been in the private sector.

In the 2008 budget, we announced our Second Career strategy that helps retrain laid-off workers for jobs in the new economy. It is part of the \$2-billion skills-to-jobs action plan. It will train laid-off workers for new careers, expand apprenticeships, build more spaces in colleges and universities, and help students with education costs. Just last week, we announced enhancements to the Second Career program to expand access for workers so that they can take advantage of the long-term training opportunities.

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A highly skilled workforce is a key economic advantage, and at the moment, it's critical. Our Reaching Higher plan for post-secondary education and invest-



ments in skills training mean that there are 100,000 more students attending Ontario colleges and universities and 50,000 more students learning a trade.

The McGuinty government has modernized schools, social housing, hospitals, roads, bridges, public transit, community facilities and water systems. The 2008 budget contained an additional \$1 billion across the province to be allocated to our municipal partners for their infrastructure priorities. All of this is in addition to our ongoing capital commitments to health care, education and the environment. Investing in infrastructure creates jobs in the short-term and improves productivity in the long-term.

Three years ago we launched ReNew Ontario, a five-year, \$30-billion infrastructure investment program that is building new roads, schools, hospitals, bridges and transit right across Ontario. Today, there are more than 100 major construction projects that have been initiated, and our infrastructure investments will create more than 100,000 jobs this year.

The Investing in Ontario Act, which was introduced this year, allows the government to invest in areas that strengthen our communities and stimulate the economy in addition to reducing the accumulated deficit. The Premier recently announced that our government is allocating \$1.1 billion from its 2007-08 year-end surplus for priority municipal infrastructure projects this year. We chose municipalities and their infrastructure needs because we know that investing in municipal infrastructure means more jobs in the short-term and improved prosperity in the long run. In fact, this investment will create the equivalent of 11,000 full-time jobs, creating jobs for our families and making communities stronger. Municipalities will be able to address immediate infrastructure needs in our communities, whether it is to improve roads and bridges, expand transit or upgrade social housing.

We are continuing with our plan to help lower the cost of doing business in this province. In the 2007 budget, Ontario announced that it would accelerate the elimination of the capital tax to July 1, 2010.

In the fall of 2007, just a year ago, I announced a package of business tax relief of \$1.1 billion over three years, primarily benefiting manufacturers and resource companies. This included an increase in the small business deduction from \$400,000 to \$500,000, extending the small business corporate income tax to more small businesses.

In the 2008 budget, we provided additional support for manufacturers and resource companies by eliminating the capital tax for these businesses retroactive to January 1, 2007. This entitled them to \$190 million in rebates to help them invest and grow. This came at just the time when these companies needed it most.

We have also reduced the capital tax for all firms by 21% retroactive to January 1, 2007.

We also plan to enhance capital cost allowances, providing firms with \$433 million over three years to invest in new machinery and equipment.

The 2007 budget announced a plan to cut high business education tax rates by \$540 million over seven years. This is expected to benefit more than half a million businesses in 321 municipalities across Ontario.

The 2008 budget announced the acceleration of the business education tax rate cuts by four years in northern Ontario. Over three years, this will save northern businesses a total of more than \$70 million.

So far businesses in Ontario have benefited from more than \$1.5 billion in savings from strategic business tax cuts that have already taken place. Our strategic tax cuts will result in \$3 billion of annual savings for businesses in Ontario when they are fully phased in. And we initiated our plan to modernize business and financial regulations to help reduce red tape for hard-working business people. At the same time, our government continues to make investments in infrastructure, in health care and in education. All of this helps to make Ontario a great place to live and a great place to invest.

Our government understands that small businesses are the economic backbone of Ontario's communities, accounting for approximately 40% of employment in the province. As I indicated a moment ago, retroactive to January 1, 2007, we have increased the small business deduction threshold by \$100,000, to \$500,000 from \$400,000. This initiative will provide thousands of small businesses across the province with about \$100 million of tax relief over a four-year period. More than 20% of this tax relief will go to small businesses in the resource and manufacturing sectors.

We are also paralleling the capital cost allowance measures announced in the 2007 and 2008 federal budgets that benefit manufacturing and support clean energy generation. We've already taken measures to help protect existing jobs, stimulate investment in new jobs and provide immediate cash flow to those industries most in need of working capital.

We are also proposing a 10-year Ontario income tax exemption for new corporations that commercialize intellectual property developed by qualifying Canadian universities, colleges and research institutes through the Ideas for the Future Act. This is an exciting new initiative. I will talk about it in more detail shortly, but it will help create homegrown ideas for hometown jobs.

All of those tax relief measures that I've just spoken of are intended to encourage job creation and economic growth, and they support the Ontario government's action plan for the economy. We have a competitive tax system that helps make Ontario an attractive place to work, invest and raise a family. The combined federal-Ontario general corporate income tax rate and the combined rate for manufacturing income are lower than the combined federal-state rates in all 50 American states. It's also lower than the federal government. Their corporate income tax rate is not scheduled to be reduced to 15% until 2012; ours is currently 14%, and 12% for manufacturers and resource-based companies.

This year we launched ONT-TAXS, Ontario's tax services, to reduce the administrative burden on busi-

nesses. Through ONT-TAXS, we are replacing more than 65 aging computer applications with one integrated computer system to support improved service delivery. Businesses will soon have 24/7 access to taxation information and services online, including account inquiry, tax filing and tax payment or change of information. In June, we established a single toll-free number, 1-866-ONT-TAXS; that's 1-866-668-8297. This line replaces 39 existing lines. Through this one new toll-free number, tax clients can receive tax administration help and information.

We've introduced one common business number as Ontario has joined the federal government and other provinces in using the federal business number to securely identify a business and its associated tax program accounts. We've also cut costs and improved efficiencies for Ontario's businesses by harmonizing federal and Ontario corporate income tax administration. This will save businesses \$90 million per year from a harmonized tax base and up to \$100 million per year in administrative and compliance costs. Businesses are now dealing with one auditor, one appeal system and one tax advisory framework, and for the 2009 and subsequent taxation years will only have to fill out one combined federal and provincial corporate tax return and make one combined corporate tax payment.

#### 1630

Taxes are only one part of the competitiveness equation, accounting for 2% to 8% of location-sensitive costs. Study after study shows, and business surveys agree, that investment decisions put more weight on factors like skills and education, health care, a supportive regulatory system, infrastructure and market access. KPMG's 2008 Competitive Alternatives report found Ontario cities remained competitive with cities in the US, with costs at or below the American average despite the unusual strength in the Canadian dollar and fluctuating world oil prices. In fact, for manufacturing, no city in the continental United States has both lower costs and lower taxes than Toronto. The overall cost of doing business in selected cities in Ontario is below that of most selected major cities in the US and other industrialized countries.

The July 28, 2008, update to KPMG's Competitive Alternatives report ranks Canada's total tax burden on business the third lowest among the 10 countries studied. Corporate income tax, other corporate taxes, including capital property sales and local taxes, and statutory labour costs were used to calculate an internationally comparable total effective tax rate. Out of 35 large international cities that they ranked, the total tax burden on business in Toronto was the seventh lowest.

Let me briefly discuss personal income tax competitiveness. Ontario's personal income tax rates are broadly competitive with those of other provinces and in line with key competing US jurisdictions and G7 countries. In 2008, most individuals earning less than \$75,000 a year in Ontario pay among the lowest provincial personal income taxes, including Ontario, Alberta and BC health premiums. In the 2008 budget, I proposed a property tax grant to help low- and moderate-income

senior homeowners pay their property taxes and stay in their homes. In early 2009, the province will provide about 550,000 senior homeowners with grants of up to \$250. The grants will rise to a maximum of \$500 for subsequent years, and over five years this will amount to \$1 billion in savings for Ontario seniors.

Our budget announced a series of tax relief measures to help Ontario businesses compete, including our proposed 10-year corporate income tax refund for new companies that commercialize research from Canadian universities or colleges. I'm pleased to say that the Ideas for the Future Act, if passed, would be the first exemption of its kind in Canada. This is actually a very exciting piece of legislation. If passed, qualifying companies would be exempt from Ontario corporate income tax and corporate minimum tax for their first decade in business. It is my understanding that it goes to committee this week, and I look forward to hearing your input on the bill.

We've also proposed to enhance the Ontario innovation tax credit and invested \$250 million over five years in the Ontario Research Fund. We recognize the potential of green technologies and are hoping to encourage the growth of new investments in the bioeconomy, clean technology, advanced health technology, telecommunications, and computer and digital technologies.

We are open to all kinds of innovation, the development of prototypes and bringing new products to market. The new \$205-million Ontario venture capital fund, which includes a \$90-million investment by the Ontario government, will help launch the next wave of innovative firms in Ontario. These incentives would also help to bring new ideas to market and turn concepts into products and profits. Our innovation investments help a whole range of ground-breaking companies. We have invested \$1 billion in innovation over 1,000 projects.

Ontario is home to over half of Canada's securities industry, in terms of GDP and number of jobs. Ontario is also home to the country's major stock exchange, the Toronto exchange, and the largest regulator, the Ontario Securities Commission.

Here in Ontario, we have the third-largest concentration of financial services employment in North America. Toronto ranks 15th internationally as a global financial hub, according to international surveys. Financial services underline the point that this province is a great place to invest in, because of the skilled financial workforce and because Ontario is a competitive place to do business.

Earlier this year, I announced the establishment of a Centre of Excellence for Education in Financial Services to promote the advancement of financial services in Ontario. The idea is to create a virtual, region-wide network of educators, researchers, financial service professionals, government partners and experts in innovation and technology. They will work collaboratively to ensure that the sector attracts, and develops, the best and brightest talent to financial services in Ontario.

The centre would support post-secondary research in financial services by helping to fund research chairs.



Seven Toronto-area universities and colleges are working with us to make the centre a reality.

The skills and talents of Ontarians are our most important economic strengths. The centre will help secure our talent advantage and provide a substantial resource for the sector.

The centre of excellence is a great example of how partners across the divide of public and private sectors, and of politics, can work together to get great things accomplished.

**The Acting Chair (Mr. Kim Craitor):** You have two minutes, Minister.

**Hon. Dwight Duncan:** Okay. And we will continue to invest in our people and encourage these partnerships.

Our government has made available over \$1 billion in support for the forest sector. The 2008 budget announced a reduction in stumpage rates for poplar hardwood, new forest biofibre pricing, a \$25-million contribution toward a centre in Thunder Bay for research and innovation, and \$15 million for a centre in Sault Ste. Marie for invasive species management.

We've done similar things in the entertainment and creative sectors and the agricultural sectors. But what's important, too, is forming key partnerships, as we have done with the manufacturing sector. Our AMIS strategy has launched 18 projects, worth more than \$880 million, creating 4,000 jobs.

We've also created a new Ministry of International Trade to help promote both trade outside of the country and investment into Canada.

We need a federal partner to support a number of these initiatives. We need a federal partner to help us with employment insurance, and to help us with Canada health transfers so Ontarians get an equal annual contribution from the federal government for their health care.

There's a lot more I could say; I understand there's not a lot of time left. Over the next few weeks, starting on Friday in London, and on Monday in Sault Ste. Marie, I will be conducting pre-budget consultations. I've had three already, and I will be travelling throughout the province over the course of the next two to three weeks to do more of those.

Ultimately, I must tell you that I am confident we'll weather this current storm, but it will take hard work, it will take ingenuity, and it won't be easy. But working together with the strength of our collective will, Ontario will come through this in stronger shape.

We will continue to seek new economic opportunities around the world. Ontarians will rise to the challenges before us, and together, we'll overcome the challenges.

**The Acting Chair (Mr. Kim Craitor):** Thank you, Minister. You have 11 seconds left.

*Interjection.*

**The Acting Chair (Mr. Kim Craitor):** Thank you very much for your opening statement. I will now turn the floor over to the opposition, to the critic, Tim Hudak.

**Mr. Tim Hudak:** Thank you, Chair.

**The Acting Chair (Mr. Kim Craitor):** You have a half hour.

**Mr. Tim Hudak:** To be sure.

**The Acting Chair (Mr. Kim Craitor):** I can make it shorter.

**Mr. Tim Hudak:** Congratulations, Chair. It's a very calm committee, by the way. You're doing a fantastic job. It's a refreshing change.

**The Acting Chair (Mr. Kim Craitor):** Thank you very much.

**Mr. Tim Hudak:** Minister, Deputy, staff of the Ministry of Finance, thank you very much for taking the time to be with us for 10 hours. I know how busy the minister's schedule is, so I do appreciate the fact that he is here, along with the deputy, for the extent of our hearings.

I want to say two things to you, Minister, and your staff. Andrew Chornenky, who is your LA—I really appreciate it, because Andrew has been very good with working with our office in coordinating meetings, briefings on budgets that you've brought forward, and with MPAC this past week. So I just want to say, through you, thanks to your staff for their responsiveness. It's very important to members of the opposition caucus to have those briefings.

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I'm actually going to sort of start out with—I want to ask some questions about the tax policy of the budget operations office. Is that Steve Orsini, the ADM for that office? Is Mr. Orsini available to answer some questions?

**Mr. Steve Orsini:** Sure.

**Mr. Tim Hudak:** Looking through your results-based briefing book—and I refer you to page 51, which is that part of the ministry. Your interim actuals last year for the office of budget and taxation policy were \$13.7 million. This year it's estimated to go up to \$42 million, so over a 200% increase in budget. Given the financial circumstances the province faces and the minister's delivery of a deficit just this past week, what exactly is the 200% increase in spending being allocated for?

**Mr. Steve Orsini:** I'd be happy to speak to that. Aside from our regular operations, we also offer a couple of transfer payment lines. For example, a number of agricultural co-operatives were having difficulty in their pensions. We had to put a \$20-million payment to help them bridge a pension issue. In addition, we have a new line item in our budget for the senior homeowners' property tax grant. This increase is really tied to new transfer payments to the broader public sector and to the public, as opposed to just operations within my division.

**Mr. Tim Hudak:** Tell me a bit more about the—so the mediated settlement was \$22.5 million; a new item you mention that has to do with some co-operatives that have problems with pensions. Can you specify what those co-operatives were?

**Mr. Steve Orsini:** There are a number of agricultural co-operatives that were facing some financial challenges in their pensions. They in turn had scheduled a wind-down of their defined benefit plan. They're sort of a MEPP; they're situated where a lot of them had a number of different funding obligations. They couldn't meet

those funding obligations for the pensioners. The minister had approved \$20 million to go towards—to help shore up their pension obligations, so that was met. It was done this summer, and apparently there was an agreement reached that the \$20 million would help bridge the funding obligations for the various pension funds.

**Mr. Tim Hudak:** Can you name who the co-operatives were?

**Mr. Steve Orsini:** I can give you that list shortly.

**Mr. Tim Hudak:** Okay. Through you, Chair, if they don't mind following up.

You mentioned the seniors' tax credit, and we'll get to that momentarily, but aside from the mediated settlements under your department, there's a 14.4% increase in salaries and wages: \$1.26 million for this fiscal year. What is that being used for?

**Mr. Steve Orsini:** We created a number of special projects; one was the pension commission, Harry Arthurs. One of the things that Harry needed was some support within the ministry, so we created a special pension support unit. They've been providing support over the last year and a half. In addition, we're providing support to the city of Toronto. They've established two new taxes, and the Ministry of Finance was critical in providing support for their personal vehicle tax, working with other ministries, and their land transfer tax. In fact, they've asked the province to help facilitate the collection of their land transfer tax through Teranet and their personal vehicle tax through Service Ontario. Our role was to provide some technical support to the line ministries in setting that up. They're special projects, and they're there to provide support for other ministries as well as to support the pension commission.

**Mr. Tim Hudak:** So how many new, full-time positions were created in this section of the ministry for the services you just mentioned?

**Mr. Steve Orsini:** I can give you the breakdown of that. Certainly that's not a challenge. The issue is that some of them are temporary and some of them are special projects, and I'll have to break that down for you.

**Mr. Tim Hudak:** Thank you. Through the Chair, if they'd supply that information, it would be very helpful.

Mr. Orsini, similarly, the services line in your division is up some \$5.2 million from the estimates from 2007-08, a 225% increase in expenditure. Again, given the financial constraints to the province of Ontario that the minister just announced, the \$500-million deficit, how are you going to spend that additional \$5.2 million?

**Mr. Steve Orsini:** I need to break that down, but again, we were funding the operations of the pension commission through my office, so a lot of these expenditures are tied to specific projects and reviews that are being done on behalf of the Ontario government. As I mentioned, the co-operatives was a \$20-million program. We had some support on that. We hired a mediator to help facilitate agreement around the co-operatives. A lot of them are tied to specific projects, and we could provide more detailed information if you would like.

**Mr. Tim Hudak:** I would. You can appreciate why I'm asking this question in light of the minister's comments, particularly this past week. That's a substantial increase in one particular division of the ministry.

What is the total cost, then, of the Expert Commission on Pensions?

**Mr. Steve Orsini:** I think it's over two years; I'll have to give you the precise breakdown. That's something I can follow up with. It's \$1 million or \$2 million, I think, over the course of the two years, but I'll give you a more precise number shortly.

**Mr. Tim Hudak:** Is the Expert Commission on Pensions staffed by ministry staff or are consultants hired through this line item?

**Mr. Steve Orsini:** Let me just give you a bit of background on the commission. Harry Arthurs is the commissioner. In addition, he has four advisers; each of them is paid a per diem for the work they are doing. They also have a research director, and they have a number of staff. None of them are directly employed by the Ministry of Finance, although some of them had been seconded to Harry Arthurs to help him out. They also commissioned about 20 research papers that are available publicly, and they are scheduled to release their report shortly.

**Mr. Tim Hudak:** Do we have a reporting date from the commission?

**Mr. Steve Orsini:** I understand it's in the fall, possibly. Minister?

**Hon. Dwight Duncan:** Initially, I was hoping by the end of this month, Tim, but it will probably be shortly after that.

**Mr. Tim Hudak:** Minister, these are substantial increases in this particular department, a lot of full-time staff being hired. The salaries and wages that I mentioned are up substantially; benefits go along with that. Are you satisfied that every one of these dollars is being—

**Hon. Dwight Duncan:** Absolutely. First of all, as Steve indicated, he will point out to you the ones that are temporary versus full-time. The pension commission work, for instance, is extremely important. As you know, several governments have looked at pension reform and have had to revisit the issue. I think we pretty much had agreement from all of us in the Legislature about the importance of an independent look at this, working with both employer and labour stakeholders with respect to this legislation. The co-ops in question are in rural Ontario. The work we've done there is extremely important.

If you look at the overall full-time equivalents in the government, you will find that they are up since 2003. A good portion of them are related to consultants. The previous government had reduced the size of the public service and then brought on consultants to do the work that was being done by public servants. In some instances—many instances—those consultants turned out to be more expensive. So we've gone back to that. We can provide you with a summary of the change in the full-time-equivalent statuses within the government.



**Mr. Tim Hudak:** That would be helpful, because obviously with the increases here in this part of your ministry, I am concerned about the expenditures. I would like, through you, Chair, a list of the number of FTEs within this division from 2004-05 to those expected in 2008-09.

Back to Mr. Orsini, you talk about the property tax grant for seniors, \$27.4 million allocated in estimates this year. Remind me: Roughly what is the upper income level cut-off for the seniors to qualify?

**Mr. Steve Orsini:** For seniors and for family seniors, I think it's \$30,000 and \$45,000 for single income and then for family income respectively.

**Mr. Tim Hudak:** It's \$250 this year and then \$500—

**Mr. Steve Orsini:** It's \$250 this year. They can file after they file their 2008 tax return, so in the spring of 2009 they'll be eligible for a \$250 grant. In subsequent years, it's \$500.

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**Mr. Tim Hudak:** Is it scaled on their income level or do they all get \$250?

**Mr. Steve Orsini:** Yes. As their income goes up, it's phased out.

**Mr. Tim Hudak:** Okay. What's the relationship between their assessment increase and the amount of grant that they receive?

**Mr. Steve Orsini:** It's really tied to the amount of property tax they're paying and their income, so the lower their property tax and the lower their income, the greater percentage of their property tax is covered. In some cases, 100% of their property tax would be covered by this, in addition to the property and sales tax credit that we have currently in place.

**Mr. Tim Hudak:** So it's possible that somebody whose assessment goes down would still receive the \$250, and the \$500 grant in the subsequent fiscal year.

**Mr. Steve Orsini:** If they're very low-income, yes.

**Mr. Tim Hudak:** You've been at the ministry for some time, in this particular department or division?

**Mr. Steve Orsini:** I rejoined the Ministry of Finance in the fall of 2005.

**Mr. Tim Hudak:** Okay. The 2004 and 2005 budgets, so just before you arrived, had given an outlook for future years, key financial tables and graphs—so the first year you're back, the 2005-06 plan was for a \$1-billion reserve. The outlook then was \$1.5 billion for each subsequent fiscal year: 2006-07, 2007-08, 2008-09; a \$1.5-billion reserve. Why was the decision made at that point in time to set aside a \$1.5-billion reserve?

**Hon. Dwight Duncan:** I think I should answer that. I think you're putting him in an—that's a political decision, as you well know. As I indicated to you in the House earlier this week, this year we decided, as part of our response to what was already happening in the economy, to reduce the reserve to just shy of \$800 million, as well as the normal contingency we built into that.

**Mr. Tim Hudak:** The question I was asking was more specific: Why was the decision made—you weren't minister at the time; that's why I was asking Mr.

Orsini—to increase the reserves to \$1.5 billion in 2006-07, 2007-08—

**Hon. Dwight Duncan:** Actually, 2006-07 was my budget. You'll recall that in that budget we talked about what at the time were the clouds on the horizon. We talked about the price of oil; we talked about the state of the US economy; we talked about the value of the Canadian dollar relative to the US dollar. That reserve was established, based on our view, again, largely due to the volatility of some of our tax revenues. But we felt at the time that that was the appropriate level and chose the reserves that we established to backstop us against downturns in revenue.

**Mr. Tim Hudak:** Help me understand that. By the way, this came out of the 2005-06 budget. You had had similar language in the 2008-09 budget. You were concerned about the clouds on the horizon, the slowdown in the economy—

**Hon. Dwight Duncan:** I think we said in this budget that they were here. We had already acknowledged in the fall statement of 2007 the challenges, particularly in the manufacturing and forestry sector. We had seen the dollar appreciate. The estimates for further appreciation of the dollar: I don't remember the exact timelines, Tim, but it was evident to us that the Canadian dollar would be stronger. The price of oil was continuing to trend upward. By the time of the budget, the state of the US economy—it had already begun to experience the meltdown in the housing situation; we'd gone through the asset-backed commercial paper. So again, we made decisions, in fact, to show very little growth in revenue and show very little growth in expenditure year-over-year because of our view and because we took some of the reserve out related to what we thought at the time, as we were projecting forward, would be the state of our revenues throughout the course of this year.

**Mr. Tim Hudak:** It just seems odd—with respect, Minister—and imprudent that you basically cut the reserve in half from where it was supposed to be in your previous plan, despite the fact that you knew that the economy was heading downhill.

**Hon. Dwight Duncan:** No. You'll also see that there's a much lower rate of growth in expenditures projected in this year's budget, compared to earlier budgets, where we had programmed in larger expenditure increases because, again, we assumed that we would have rates of growth in revenue that would continue to stream upwards, and we did. As it turned out, those proved to be accurate. The rate of growth in expenditures this year is relatively smaller and therefore, because of the overall situation, we did make the size of the reserve smaller this year, recognizing all of the challenges that we had to match in the budget itself.

**Mr. Tim Hudak:** Similarly, as you reduced the reserve by half of what had previously been committed to, you reduced the operating contingency fund by some \$160 million, approximately a 25% reduction in the contingency fund. Given the fiscal circumstances we're heading into, wasn't it unwise and imprudent to also cut your contingency fund?

**Hon. Dwight Duncan:** No. Last year, for instance, the year before, you criticized us for having unanticipated surpluses and having amounts that were greater than projected. So given all of the stresses and given where the economy was and where we thought it would be going and our desire to manage revenues going forward, we felt that the numbers we chose in the short term were smaller, were appropriate. I think they rise next year, and the year after as well; they get back to \$1 billion next year. The reserve next year goes to \$1 billion and I think \$1 billion the year after that.

**Mr. Tim Hudak:** Minister, you also began the year in Q1 and then subsequently in Q2 with some—I'm trying to remember the number exactly—approximately \$340 million in unbudgeted expenditures, despite the fact you knew there was a challenge to revenue, and certainly the fiscal situation would put your budget numbers in jeopardy. Despite that, you went ahead with these spending increases. Let me name a few of them. One was a significant increase in the Board of Internal Economy, I believe. Why make a decision to increase expenditures within those ministries as opposed to asking those ministries or departments to find their own internal savings for these priorities?

**Hon. Dwight Duncan:** You know the government doesn't control the Board of Internal Economy; that's controlled equally by the three political parties, as managed by your representatives and ours. With respect, the other items in that line were—you mentioned Board of Internal Economy. What were the other ones—I don't have them in front of me—that you're concerned about?

**Mr. Tim Hudak:** I am digging them up. This was in Q2 here, which I have the page open to: \$7.1 million for OMERS Administration Corp.

**Hon. Dwight Duncan:** For which?

**Mr. Tim Hudak:** OMERS.

**Hon. Dwight Duncan:** I'll ask my officials if they can respond to that and we'll get back to you.

**Mr. Tim Hudak:** The Ministry of Education, \$187.5 million for school boards, net expense, under a category you called "grants for student needs." Can you specify exactly what that almost \$200 million is used for?

**Hon. Dwight Duncan:** That is for education. That will flow to school boards, and I'll let Peter—

**Mr. Peter Wallace:** I think we'll actually have John Whitehead come up to deal with the specifics on the expense.

**The Acting Chair (Mr. Kim Craitor):** If you just want to introduce yourself, please, to the committee.

**Mr. John Whitehead:** I'm John Whitehead. I'm with the Ministry of Finance. I'm the ADM responsible for fiscal planning.

The question was with respect to roughly \$200 million of expense change in this fiscal year for the grant for student needs?

**Mr. Tim Hudak:** Exactly.

**Mr. John Whitehead:** Okay. The province has, as you know, been negotiating with school boards, and the compensation amounts for teachers are flowed through

the grant for student needs. The negotiated settlement was reached during the summer and is in the process of being ratified. It was minuted at treasury board; we were reporting out in the second quarter that change in expense.

**Mr. Tim Hudak:** So this is really salaries and benefits recently created by collective bargaining agreements for teachers?

**Mr. John Whitehead:** Yes.

**Mr. Tim Hudak:** That represents about what? I think the agreement has been made public. It was 3% per year over four years; is that correct?

**Mr. John Whitehead:** I believe it's still in the process of being ratified, but that's the approximate order of magnitude.

1700

**Mr. Tim Hudak:** So, obviously, this wasn't planned for expenditure if it came through a treasury board minute or what have you. So what had the ministry actually—

**Hon. Dwight Duncan:** Actually, we do have contingency in the budget for that. We know what collective agreements are coming up in the course of any given year, and there is usually contingency built into the budget.

**Mr. Tim Hudak:** Okay. What had you actually budgeted for in terms of salary and wage increases?

**Mr. John Whitehead:** The minister's comment is bang on. Because we knew there were negotiated settlements coming—the government needed to go through the negotiating process. So, exactly as he has said, we waited for the settlement to be reached and then offset it through the contingencies for the year.

**Mr. Tim Hudak:** Okay. Let me ask, if there is a 1% increase in salaries for Ontario teachers, what does that work out to be, roughly?

**Mr. John Whitehead:** I'll have to get back to you on that for an exact—

**Mr. Tim Hudak:** I think you do have that in your risk assessment within your budgets and that sort of thing, right?

**Mr. John Whitehead:** Yes. I just don't have it handy.

**Mr. Tim Hudak:** Okay. Let me ask it a different way, then. The \$187.5 million represents about how much of the increase in the cost due to the new collective agreement? Is it half of the increase, a third?

**Mr. John Whitehead:** It will be over half. It represents a little over 2%, I believe, and it remains to be seen how the balance of the discussion goes.

**Mr. Tim Hudak:** Okay. I'm not sure if it has been finalized or not, the agreement with the OMA with respect to the OHIP schedule. Has that been accounted for already in ministry spending, or do we expect to see another item in Q3 on the contingency fund?

**Mr. John Whitehead:** Indeed, the Ontario Medical Association agreement was just ratified and, clearly, we wouldn't have had a way to anticipate that at budget time in its final form. However, the Ministry of Health is quite a large ministry and is managing at this point a number of



things, including that agreement. I think it is well over 40% of our total budget, the Ministry of Health. So our normal practice would be to see how the expenses are going for this year and catch it up at the end.

**Mr. Tim Hudak:** Let me ask it this way, then: In terms of your planning for health's expenditures in 2008-09, what did you build in as an expectation for the settlement with the OMA?

**Mr. John Whitehead:** There are a variety—I'm sorry. Pardon me.

**Hon. Dwight Duncan:** It's part of a broad government contingency, Tim. We look at it on an individual basis but also build it into contingency and then, as what we term a risk to the budget becomes more real and becomes obviously a realized risk, once it's ratified, that amount is taken out of the overall government contingency. I guess, in effect, there's contingency within the contingency; that is, that that contingency is built to accommodate. Some items that are risks will come in lower than we thought, some will come in higher. So it comes out of the contingency. Therefore, it has been accounted for in the budget.

**Mr. Tim Hudak:** Out of the contingency fund?

**Hon. Dwight Duncan:** Out of the planned contingency, yes. We don't just randomly set a contingency. We look at risk. Obviously there are some risks that are higher and some risks that are lower. For instance, risks like that would have been a high risk. We would have programmed it into the overall contingency fund, knowing that we would be faced with the bargaining, in this case, with the OMA, that we didn't know precisely what the final result would be. In any bargaining, whether it's with the OMA, whether it's with teachers and others, mandates are given to our senior officials, as you would be aware, to negotiate, and then as part of the budget process, recognizing that those agreements will be reached, not knowing precisely what they are, there's a contingency built in and it's built in within—

**Mr. Tim Hudak:** So—

**Hon. Dwight Duncan:** Let me just finish. It's built in within a larger contingency. By the way, again, sometimes the risks that we budget or provide for in contingency turn out not to be as high.

**Mr. Tim Hudak:** Sure.

**Hon. Dwight Duncan:** For instance, one of the interesting phenomena in health is that we often have under-spending in health in a lot of line items, but by the end of the year we think, when we've presented you with the budget and with the updates, that that reflects our best assessment of what the health budget will be.

**Mr. Tim Hudak:** So to answer the question I had—your answer to me earlier was that one of the reasons why you reduced the contingency fund was because you had limited spending in the ministry, so the spending increase was lower—

**Hon. Dwight Duncan:** Growth in spending.

**Mr. Tim Hudak:** —limited growth in spending. Given the state of the economy and given that you have two very powerful bargaining groups to deal with—

**Hon. Dwight Duncan:** Eight.

**Mr. Tim Hudak:** Well, sure, but there's just the two that I've mentioned so far. I still don't understand, then, why you would reduce the contingency fund when you're heading into negotiations with the teachers and the doctors.

**Hon. Dwight Duncan:** We do that because first of all, we recognize the risk levels and the higher versus lower risk. For instance, a risk that's associated with two years from now is a lower risk. There's a whole range of calculations. But at the end of the day, one tries to strike a balance where you don't have scenarios where you have large variances on either the revenue or expenditure line at the end of the year. Oftentimes, people criticize for having very large variances. So it's a bit of both the reserve and the contingency. The reserve is designed more for revenue, to deal with unanticipated declines in revenue, which—

**Mr. Tim Hudak:** So you're—

**Hon. Dwight Duncan:** —if I may, by the end of the year, if you're off by a substantial portion, will tend to exaggerate a surplus. On the other hand, on the contingency, if you build in too much contingency—it's a matter of striking the right balance. Because of the economic circumstances—

**Mr. Tim Hudak:** Minister, I appreciate the answer. You're heading into negotiations currently under way with OPSEU, the next major bargaining unit. What have you built into your plan for an increased—

**Hon. Dwight Duncan:** I don't want to comment on that. There's an overall government contingency, and negotiations are just beginning. I think our bargaining partners are aware that government always takes these things into consideration. The only answer I can give you at this point is that we believe we've taken account, recognizing that we have negotiations with OPSEU followed by AMAPCEO, PEGO and others. It would prejudice the government's bargaining position to deal with that.

**The Acting Chair (Mr. Kim Craitor):** Two minutes.

**Mr. Tim Hudak:** Do you expect to be coming back and dipping into what's remaining of the contingency fund as a result of the OMA agreement or the OPSEU agreement?

**Hon. Dwight Duncan:** Well, we know now what the OMA agreement is and the cost of it, so that's taken out. We look at the overall contingency fund from an overall government perspective. Again, some risks are realized, some risks are not realized. The answer to your question, I guess it's fair, gentleman, is to say that it depends. But overall, what you see in terms of the actual expenditure numbers, the contingency and the reserve, is our best analysis of where things are going to be by March 31, 2009.

**Mr. Tim Hudak:** You mentioned that there are eight large collective agreements. Is that what you say?

**Hon. Dwight Duncan:** I think it's eight, yes.

**Mr. Tim Hudak:** So aside from the three that I've mentioned, what else do you have yet to go in this fiscal year?

**The Acting Chair (Mr. Kim Craiton):** We've got one minute left.

**Hon. Dwight Duncan:** We've got OPSEU, AMAPCEO, PEGO—we don't have an agreement yet with elementary teachers, correct?

**Mr. Peter Wallace:** With elementary teachers, law officers, the crown and the Ontario Provincial Police Association.

**Mr. Tim Hudak:** Okay. The other item I wanted to highlight for in-year spending increases was \$100 million in Ministry of Health OHIP payments. What's the nature of the \$100 million in unbudgeted spending this year in OHIP?

**Mr. John Whitehead:** The Ministry of Health tracks all of its major spending lines quite closely. The increase that we reflected there is a utilization increase, primarily. So it's reflecting people's visits to the doctor, quite frankly, up until this point. At this point, we thought it was appropriate to indicate those amounts. I reiterate the point the minister made, which is—

**The Acting Chair (Mr. Kim Craiton):** Thank you very much. Sorry to interrupt, but the time has expired, and I want to make sure my colleague from the third party gets his half hour. Thank you, Tim. Michael?

**Mr. Michael Prue:** Yes, and there's lots of time here to boot. Okay. I have a number of questions. Some of them may appear at first to be a little hypothetical, but I just want to get a framework around this.

The first one I want to ask—and I want to make sure we're all on the same book. The Ministry of Finance is charged with determining the operating budgets of each ministry. Is that correct? Each ministry comes and asks for the amount of money. The cabinet will sit down, it will determine which ministries will get what they're going to get, some more, some less, but in the end the Ministry of Finance is responsible.

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**Hon. Dwight Duncan:** That's correct.

**Mr. Michael Prue:** Taking that response, how long is the planning cycle?

**Hon. Dwight Duncan:** The planning cycle starts with something called results-based planning. For instance, we've just begun results-based planning. It starts with a note going out from the Ministry of Finance to each individual ministry. The deputy of finance meets with his counterpart in each of the individual ministries. Political staff from the Ministry of Finance meet with their counterparts. We give them an indication of the sorts of things we're looking for from them. They, in turn, submit a results-based plan to Management Board and treasury board of cabinet. Management Board and treasury board of cabinet consider each one of them individually. Some of the smaller ministries don't receive the same kind of attention that some of the larger ministries receive. Those results-based plans are then adopted by treasury board and Management Board. They then go to cabinet for approval, and then they form the basis of the expenditure side of the provincial budget.

Mr. Prue, just to be more specific about your question, those original letters went out—what?—about a month ago, Deputy?

**Mr. Peter Wallace:** Yes, absolutely. But in a very realistic way, the annual planning cycle is a full year. As soon as ministries have their budget, they're required to manage them very tightly. They report in to us at quarter 1; that then forms the basis for the conversation around the subsequent cycle.

**Hon. Dwight Duncan:** Just to add to that, the deputy points out quite correctly that there will be overspending in some areas, underspending in others. Management Board will make adjustments throughout the course of the year, and there is a full reporting process that culminates with public accounts.

**Mr. Michael Prue:** I know all of that is correct. Perhaps my question wasn't specific enough. In other words, how many years into the future are allocations planned? I've always understood the government has a four-year cycle. You start looking at things down the road. You start looking at what may or may not transpire down the road, and you're working in four-year cycles. Is that a correct assumption or not?

**Mr. John Whitehead:** It's three. The Fiscal Transparency and Accountability Act requires the government to plan for current year plus two in its budgets. So our planning—

**Mr. Michael Prue:** So it's three.

**Mr. John Whitehead:** Our planning process reflects that. For capital planning purposes, it's a little bit of a longer horizon just because of the nature of the work, but for operating purposes we focus on current plus two.

**Mr. Michael Prue:** Okay. So, at this present time, staff are working not only on this year's budget but next year and the year after. It's all pretty preliminary, and I understand the vagaries of the market and everything that's happening, but you are going through that process at this time.

**Mr. John Whitehead:** That's correct.

**Mr. Michael Prue:** Okay. Has the Ministry of Finance developed preliminary plans, then, for funding allocations to each of the ministries for the 2009-10 fiscal year?

**Hon. Dwight Duncan:** No. We've just begun the results-based planning process.

**Mr. Michael Prue:** So even though you do this analysis two years in advance, you haven't put any ideas to paper at all for next year?

**Mr. Peter Wallace:** Let me answer the question very precisely. It might be better phrased, "Have we adjusted them?" The answer is no, we have not adjusted them.

**Hon. Dwight Duncan:** For instance, Michael, a large portion of any ministry's expenditures are wages and benefits. We know—not precisely, but we build out budgets in two years—roughly what those expenditures will be. We do adjust them year over year. Again, there's contingency built three years out as well in terms of risks that are emerging as time goes on.



**Mr. Peter Wallace:** We need to answer your question very carefully as well because we run a realistic and rigorous process. Of course we've had conversations, as the minister said, with deputies and others around the changes that they may expect, reflecting changes in underlying economic drivers, reflecting changes in costs, reflecting changes in government policy and priorities, reflecting the savings opportunities we would expect them to come forward with, of course, through all of that. So if you ask the question as general as, "Have we formulated any ideas?" of course you would expect us naturally to have formulated ideas, and those are rigorous, ongoing and, from time to time, fairly painful conversations.

**Mr. Michael Prue:** I'm sure they're painful; that's for sure.

Are you in a position to provide this committee with the planned operating allocations or the capital plans for ministries for 2009-10?

**Hon. Dwight Duncan:** No. That will be presented in the budget.

**Mr. Michael Prue:** And there's no way you could give us even a thumbnail sketch of what you expect is going to happen?

**Hon. Dwight Duncan:** You'll see what's published in last year's budget.

**Mr. Michael Prue:** The reason I ask that is because the minister started off, and I think quite correctly, saying that economics and forecasting in this current time and place is very difficult. I'm trying to get a handle on where we might be headed. The reason I ask that, in part—just let me digress a little. I'm looking at the statement, the Ontario Economic Outlook and Fiscal Review. I looked on page 29, as an example, just one very small example, "Impacts of Changes in Key Assumptions on Ontario Real GDP Growth." The first one was, "Canadian dollar depreciates by five cents US." That is going to have an impact on growth, and it sets out what it is. Since the time of writing this, the Canadian dollar has declined by more than five cents, just in a scant week. Is this something that we should anticipate?

**Hon. Dwight Duncan:** We did not—and I indicated this in the statement last week—update estimates in the fall statement. We will provide that at budget time, when we have more real numbers in from our revenues. Again, there are a number of variables that we look at, whether it's the value of the dollar, whether it's the price of oil, whether it's retail, or whether it's home sales. There are a number of variables that go into the modelling we do in terms of the economy, and the budget will present our expenditure forecast for 2009-10. You can see, in what we have published this year, in the 2008-09 budget—we publish for two years out. For 2009-10, you will see more up-to-date numbers based on decisions the government has to take.

**Mr. Michael Prue:** I asked the question in terms of the dollar. I can ask the same question about oil. I look on page 31, where the government's estimate for oil for 2008 in the budget was \$80 a barrel; it went way above

that. That must have caused some concern. But today—or yesterday, anyway; I didn't see today's—it was trading at \$63. I don't know what it's trading at this afternoon, but it was \$63. Surely this must have some huge impacts on planning and what the forecasts are going to be.

**Hon. Dwight Duncan:** Yes, they do. That's why we quoted two economists in my statement; that's why I think virtually every economist we've met with has cautioned against projections at this point, because of all the uncertainty in these variables. A number of variables have done worse than we laid out in the budget; a number have done better. Earlier this year, I think both parties—certainly the Conservatives—criticized the fact that the value of the dollar was much higher than we projected, that oil was much higher than we had projected. Yet now, as you indicate, in the case of oil, it's much lower; the Canadian dollar is much lower. Those are year-over-year averages, by the way—

**Mr. Michael Prue:** I know that.

**Hon. Dwight Duncan:** —those are not specific-in-time numbers. So yes, they do. At the time of the fall statement, we did not update those numbers. Part of the challenge is getting the best numbers we can. We will, as the Fiscal Transparency and Accountability Act calls for, provide you with a two-year outlook in the budget.

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The other point I would make: My 2006 budget was, I think, the first budget that was presented before the beginning of the fiscal year. I could never understand that, particularly coming from a municipal background, as I know you did. One of the challenges we have is that we don't have our year-end numbers for the year just ended until quite late into the next fiscal year. So it means, in effect, that the earlier you do it, the more you're relying on out-of-date information for your future projections. That adds a certain element of risk to your projections and in terms of what you want to report to the public. So that's why treasurers and finance ministers in the past, of all three political parties, have done their budgets sometimes as late as June, awaiting the best and most up-to-date information. For instance, one of the biggest variables in the revenue line is corporate income taxes, and we won't have hard numbers on that until January-February of next year. That's why it's difficult to make solid projections on a range of things at this point.

**Mr. Michael Prue:** Something a little more specific—at least I hope it is: In the background to the fall economic statement, the following statement was made "Transfer payment funding will not be increasing in fiscal 2009-10 according to what was projected in the 2008 budget last March." Can you tell the committee two things—I'll just do one at a time. The first one is, the total payments to transfer partners—that is, to the MUSH sector; municipalities, universities, schools and hospitals—planned in the 2008 budget for 2008-09 and 2009-10: What were you going to give them? That's the first part.

**Hon. Dwight Duncan:** I don't have that specific number, but what we signalled in there is that because of

circumstances in the world and the impact of that on our economy—and as I indicated in this statement today and in the fall statement, in the absence of hard numbers you have to use a bit of judgment and you have to make some assumptions. We think it's unrealistic at this point to expect that we'll be able to continue transfers in that fiscal year according to what was laid out in the 2008-09 budget.

**Mr. Michael Prue:** I know. It certainly sent chills down the spine of many of the CEOs and people responsible in the MUSH sector.

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** Can you tell us the total payments to transfer partners now planned for 2008-09 or for 2009-10?

**Hon. Dwight Duncan:** For 2008-09 we will continue along the lines that are laid out in the budget, but for 2009-10, which is what we said in the fall statement—no, we can't. That will come in the budget. Because of what is going on in the economy—particularly in terms of that impact on our revenues—we wanted to signal as early as we could to our partners.

By the way, they weren't ever given specific numbers in terms of what they would be receiving. You'll see a global budget—in our budget—like individual hospitals would know, or individual school boards would know. I think our best judgment tells us today, and we felt it important to signal to our partners that the overall figure that had been outlined in the 2008-09 budget for 2009-10 and for 2010-11 will not be as robust as the previous budget would have said.

**Mr. Michael Prue:** So hospitals that were getting 6% and/or 8% and schools that were getting 3% or 4%—I'm not sure of the exact numbers, but something in that range—probably can't expect that.

**Hon. Dwight Duncan:** Based on our best judgment today, that's correct, what you've just said. Those rates of growth will be difficult to maintain.

**Mr. Michael Prue:** The next question is: Under the Ministry of Finance's restraint initiative, they indicate that \$50 million will be saved from 2008-09 in delaying the hiring of 9,000 nurses—which was a 2007 platform promise. How many nurses were supposed to be hired in 2008-09?

**Hon. Dwight Duncan:** I'm going to get that number for you. We did plan to begin this year. It was a relatively small number, as I recall.

**Mr. John Whitehead:** I think probably the best thing for us to do is to get you that information, if we could come back to you with that.

**Mr. Michael Prue:** So it wasn't the whole 9,000?

**Hon. Dwight Duncan:** No.

**Mr. Michael Prue:** It was a small number. I'm trying to figure out how the \$50-million figure is arrived at. How many aren't going to be hired?

**Hon. Dwight Duncan:** I'll have to get you that number. I don't have it right now. We were beginning to ramp up the hiring of those nurses this year. It was a

relatively small number, as I recall. Because of these circumstances in the economy, we're going to delay that.

**Mr. Michael Prue:** That's sort of where I want to go next. You're going to hire a relatively small number of nurses out of the 9,000 this year, and you're now talking about, and your own words were, "a longer period of time than anticipated." Is there going to be funding or is there funding in place to hire the nurses in 2009-10 or 2010-11? When might the public expect the much-anticipated hiring of nurses?

**Hon. Dwight Duncan:** First of all, again, we will lay out a new budget. I hope to deliver that budget before the end of March, next year. We'll indicate at that point in time where we're at.

As I have said and as the Premier has said, our intention is to continue with the hiring of 9,000 additional nurses. With the current state of the economy and the situation our revenues are in, we have decided to delay the beginning of the implementation of that. I think the platform document that we laid out did not give a specific timeline as to when all of the nurses would be hired, whether you do X number this year and the year after. Our hope is to achieve that goal over the mandate of the government. In the last four years I think we've hired 8,400 nurses. I'll get you that precise figure, as well.

Again, the decision we had to make, in terms of running a managed deficit or a manageable deficit, was that the first order of changes had to be around delaying the implementation of new spending. We'll see where things unfold. These are very challenging circumstances we find ourselves in, as do other jurisdictions. The 2009-10 budget will update the numbers and give you a clear sense of where we see things.

**Mr. Michael Prue:** The reason I'm asking this is because this was a campaign promise in 2007; it had nothing to do with what had happened before. In 2007, the promise was made for 9,000 new nurses. To date, I'm not aware of very many, if any, having been hired. I understand the rationale, but I'm trying to find out from you—the commitment you made was within the four-year mandate, which ends in 2011. We're two and a half years from there, and it doesn't appear that there is any solid thing that can be said today about how that mandate is going to be met.

**Hon. Dwight Duncan:** That's right. There's a revenue challenge. We will update in the budget; we will update in our quarterly reports in terms of the province's finances. You'll have the Q3 numbers in mid-February, and then we'll update our own projections for the coming years in the budget. Again, I stress that because of the circumstances we find ourselves in, we have delayed the implementation of that commitment. It remains our hope and goal that we can achieve it in the course of the government's mandate, but that will be contingent upon the performance of the economy.

**Mr. Michael Prue:** From the Ontario budget 2008, going back to table 18, you gave, as an expense—and you gave a whole list of programs. For the health sector, the interim in 2007-08 was \$38.1 billion, increasing to



\$40.4 billion in 2008-09, increasing to \$42.4 billion in 2009-10. Do you anticipate being able to meet these targets?

**Hon. Dwight Duncan:** Yes, and when we can't, we will signal it to you. What we have done is delay the implementation of new spending. The rates of growth in health care are continuing, as you see even in this year—\$100 million, as John was beginning to describe to Tim, was just utilization: people going to the doctor, people showing up at hospitals, people accessing billable services. There is no question that the rate of growth in health care expenditure is going to continue. Part of the challenge we all will have to rise to is, in a world where revenues are not growing anywhere nearly as quickly as the program costs in health care, how you meet the demands that people have for the services. So it's a difficult but fine line to walk, also recognizing that health care consumes almost 50% of the provincial budget now. There's no doubt that there are going to be challenges, meeting the health care needs of this province.

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**Mr. Michael Prue:** But you still anticipate meeting this, at this time?

**Hon. Dwight Duncan:** Absolutely, and that's why, when we bring out the budget, we will update numbers, not only for this fiscal year—well, for the fiscal year that you're dealing with in the budget, but for the next two fiscal years out. Then, of course, in the year before the election, the Provincial Auditor will sign off as to the veracity of the projections that are made in the budget.

**Mr. Michael Prue:** The education sector was much more modest in terms of increases, going from the interim at \$12.4 billion through the plan this year for \$13.1 billion and next year into \$13.4 billion and, finally, into 2010 to 2011, also remaining at \$13.4 billion. Is it your anticipation you're going to keep that at \$13.4 billion, or do you anticipate that this may go down?

**Hon. Dwight Duncan:** I can't answer that right now. We are still working with the ministries. Those budget projections remain the projections of the government, and any changes in those projections will be reflected in the next budget.

**Mr. Michael Prue:** The next one is post-secondary education and the training sector. This one, perhaps, is a little puzzling. It started out at \$6.6 billion. The plan was to reduce it for this year to \$6.2 billion and then increase it slightly next year to \$6.4 billion. Given the much-vaunted—and you talked about it yourself—new training program, the long-term one Mr. Milloy has been talking about in the Legislature for the last few days, do you anticipate that there will be money for the training with hundreds of thousands of people losing their jobs?

**Hon. Dwight Duncan:** John? I'm going to ask John to respond to that.

**Mr. John Whitehead:** The beginning of your question was about a year-over-year decline. There was some one-time spending last year to improve capital, in particular as a focus of in-year changes in expense for

post-secondary education, and then we sort of resume a more normal rate of growth for the sector.

**Hon. Dwight Duncan:** The budget does provide for the Second Career strategy and all the other training programs that the government offers.

**Mr. Michael Prue:** So it's your intention, if you can, to raise that the same amount next year? I mean, you're talking about raising it back to \$6.4 billion for 2009—

**Hon. Dwight Duncan:** The budget will reflect what the government has undertaken in terms of all of its undertakings with respect to Second Career and the other obligations we have through Employment Ontario.

**Mr. Peter Wallace:** To try to be helpful here, it is worth remembering that through all of these planning cycles, under any government at any time, we publish out your numbers. We've committed to do that through the Fiscal Transparency and Accountability Act. Of course those numbers will be subject to change, and of course we publish the numbers so that people can see, to the very best of our capacity to project and the very best of our understanding of the government's policy direction, how that fits in with revenues and a variety of other factors, how that will allocate.

This year has everything in common with all years in that we will update those numbers as we go forward and provide for treasury board and then the Minister of Finance to bring those forward in the traditional fiscal cycle.

What is particularly challenging this year is that there are significant economic fluctuations that the minister has signalled and discussed in the fall economic statement. What you're seeing, in very real sense, is the continuation of the same process, pattern, structure and rigour that we've traditionally brought to our expenditure management process.

**Mr. Michael Prue:** Granted, but this brings me down to a subject near and dear to my heart. I think I ask more questions than any other person in the entire Legislature on social services, on poverty and questions related to that.

The next one is the children and social services sector, which went from \$11.3 billion to \$11.8 billion, and for the outlook for 2009-2010 was \$12 billion—a very minor increase, considering that in the last election the promises were made in terms of attacking poverty, having a plan, 25 in 5, and all the things that went with that.

Since the amount is projected, it would not allow probably for much, if any, of that to be done. Is the money available to the social service sector sufficient? What is the government going to do with this? This will probably require a massive amount. The outlook was only for a very small amount, if it can even be maintained. What is the government's plan?

**Hon. Dwight Duncan:** First of all, expenses rising from \$10 billion to \$12 billion over two or three years in my view is a significant amount of money.

**Mr. Michael Prue:** No, hold on. It was from \$11.3 billion to \$11.8 billion—

**Hon. Dwight Duncan:** But you've got to go back a couple more years to grasp the whole rollout of it.

Second of all, the poverty strategy will be introduced by Minister Matthews in December. We will respond to that in part through our budget in 2009-10. This year, we did raise the child benefit. I'm not sure if it reflects in that line that you just referenced or not. I don't have it in front of me.

There are a number of other areas. We doubled funding for student nutrition programs. We have provided a budget for a dental program. It's starting in this fiscal year and rolling out over time.

Again I want to stress, as both the Premier and I have said, that the government remains committed to the poverty agenda. Because of the economic circumstances, we will have to implement it, probably initially, in any event, when we start to see more robust growth in the economy and in our revenues. We will have to implement it more slowly than we might otherwise have wanted to, but we think that's the responsible way to move forward. It's difficult to introduce new spending measures if there's not an adequate rate of growth in revenue to cover those expenditures.

In addition, the government will seek out ways to make better use of existing expenditure. That's part of the results-based plan. Every minister is looking at their highest priorities, as well as the lowest priorities, within their ministries. They are looking at what program services work or don't work. They make recommendations to us to help fund initiatives within their ministries also. So all of these things will be part of the budget moving forward.

Once we receive the poverty committee's report, the government will begin to implement it. As the Premier and I have indicated, and again I'll stress, we will likely not be able to implement it as quickly as we would have liked, certainly not as quickly as a number of the stakeholders would like us to, but nonetheless we will begin—I shouldn't say begin. We will continue to build on the initiatives that we have already started, including the child benefit and a range of others. The student nutrition programs come to mind from the last budget.

**The Acting Chair (Mr. Kim Craiton):** You have one minute left, Mr. Prue.

**Mr. Michael Prue:** Perhaps a very fast question then. In answering a question put to you by Mr. Hudak, you made the statement that there will be \$1 billion in the contingency for next year. That's the plan.

**Hon. Dwight Duncan:** That's what's in the budget right now.

**Mr. Michael Prue:** Okay. That's what's in the budget. At the same time, have you—

**Hon. Dwight Duncan:** That's in the budget for next year, \$1 billion.

**Mr. Tim Hudak:** Reserve.

**Hon. Dwight Duncan:** It's a reserve—that's right, not contingency. There's a difference.

**Mr. Michael Prue:** Okay, sorry, in the reserve. Excuse me. I just wrote it down really quickly. Have you also come up with similar numbers, whether or not there will be an overall deficit or surplus number contained

within the planning years for 2009-10? You've already determined there's going to be a reserve.

**Hon. Dwight Duncan:** It's published as a balanced budget in each of those outlying years.

**The Acting Chair (Mr. Kim Craiton):** Twenty seconds.

**Hon. Dwight Duncan:** That is our projection in the budget. Again, we have had to revise this year. In the fall statement we chose not to revise for next year and the year after due to the challenges associated with the numbers we have now, but of course the budget will update those numbers.

**The Acting Chair (Mr. Kim Craiton):** Thank you, Minister. Thank you, Michael. We have a half hour left to allow you, Minister, to make a statement. Am I correct? We have a half hour left. I've been told that—

**Hon. Dwight Duncan:** Do we not have a vote at a quarter to?

**The Acting Chair (Mr. Kim Craiton):** I'm not finished yet, Minister.

**Hon. Dwight Duncan:** Oh, I'm sorry.

**The Acting Chair (Mr. Kim Craiton):** Just be patient now. We have a half hour, but you will not get a half hour because we have a vote. I think we worked it out to about 12 or 13 minutes, so you can speak and save the time for when we reconvene tomorrow afternoon.

**Mr. Lou Rinaldi:** No, Tuesday.

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*Interjections.*

**The Acting Chair (Mr. Kim Craiton):** Tuesday? I'm the Chair, so I say tomorrow afternoon at 4 o'clock.

If I keep talking, you'll have no time, Minister. You have until the bells start ringing.

**Hon. Dwight Duncan:** I have until the bells start. You know, I think I said everything I wanted to say in my opening statement, so I'm in your hands. Do you want to give these rascals more questions?

*Interjections.*

**The Acting Chair (Mr. Kim Craiton):** Minister, if you decide you don't want to say anything further, then we go into our normal rotation.

**Hon. Dwight Duncan:** Okay, that's fair.

**The Acting Chair (Mr. Kim Craiton):** We'll go back to the official opposition. In that case, Mr. Hudak, you have 10 minutes.

**Mr. Tim Hudak:** Prue stole my second batch of questions, so now I have to scramble for some more.

Minister, among your ministry staff, who's responsible for the Ontario Financing Authority?

**Hon. Dwight Duncan:** Gadi Mayman. Is Gadi here?

**Mr. Gadi Mayman:** Gadi Mayman, the CEO of the Ontario Financing Authority.

**Mr. Tim Hudak:** Oh my God, the CEO. Fantastic. Following up on the growth, staff in the Ontario Financing Authority has gone from 24 to 28 from 2004 to 2007. They anticipate for fiscal year 2008 they'll be getting additional staff on the sunshine list, besides the 28 that were there last year.

**Mr. Lou Rinaldi:** Chair, point of order.



**The Acting Chair (Mr. Kim Craitor):** Yes?

**Mr. Lou Rinaldi:** I think the normal practice in the short time I've been here is that the questions are directed to the minister and then the minister chooses what staff might be best appropriate, if he so feels.

**The Acting Chair (Mr. Kim Craitor):** Yes. I was being a little lenient, but normally—and I've watched you when you've chaired, Tim, as well. That normally is directed to the minister and then the minister decides if he'd like someone to come up. Maybe we could just continue with that approach.

**Mr. Tim Hudak:** I think it depends on who is asking the questions.

**Mr. Bob Delaney:** We call it the Hudak.

**Mr. Tim Hudak:** It's just a simple question in terms of the number of staff at the financing authority who are on the sunshine list anticipated for 2008.

**Hon. Dwight Duncan:** Sure, and before I turn it over the Gadi, I'll say this. One of the challenges we have with the financing authority is, because of the nature of the business they're in, we have trouble retaining people because of very high salaries down on Bay Street, although I suspect that's going to change or is in the process of changing. They do an outstanding job for us and they are true public servants. Most of them make probably half or a quarter of what they could make in comparable positions.

But to your specific question, I'll turn that over to Gadi.

**Mr. Gadi Mayman:** Yes, Mr. Hudak. I don't know the exact numbers that we'll have for next year. At the higher end, which is probably what you're looking for, there will be no more. We haven't hired anybody additionally on the trading desk. We may, as people have their annual increases and move from a \$98,000 salary to \$101,000 or \$102,000, get more at that level.

**Mr. Tim Hudak:** And the number of FTEs at the OFA currently?

**Mr. Gadi Mayman:** We started the year at 161. In the budget of 2008, we were assigned 11 new FTEs. They are in our corporate and electricity finance division. They will be responsible for three specific areas. One is the nuclear procurement project. There are a number of people who are going to be looking at the cost recovery and financing of that. In the Next Generation of Jobs Fund, we have a couple of new FTEs who have been added for that role. Finally, under the aboriginal loan and participation in energy projects, we have a number of people who have been added for that. So there are 11 FTEs added in total. The total will now be 172.

**Mr. Tim Hudak:** Through this fiscal year?

**Mr. Gadi Mayman:** Through this fiscal year. We have not quite gotten to that level yet, but my expectation is that we will be close to it by the end of the fiscal year.

**Mr. Tim Hudak:** When did you start your employment at the Ontario Financing Authority?

**Mr. Gadi Mayman:** I started in 1991.

**Mr. Tim Hudak:** A young fellow, eh?

**Mr. Gadi Mayman:** Well, I wasn't quite so young.

**Mr. Tim Hudak:** Just out of high school?

**Mr. Gadi Mayman:** I was actually joking with somebody yesterday, when the Japanese stock market dropped to its 1982 levels—I started working in 1981, so apparently, according to Japan, the value of my career and the financial value and everybody else who started with me is zero.

**Mr. Tim Hudak:** I don't know if you'd recall this off the top of your head—if you don't, please just get back to me—the number of FTEs who were at the OFA in the fiscal year 2003-04.

**Mr. Gadi Mayman:** I do not know and I will get back to you on that.

**Mr. Tim Hudak:** Super. Thank you very much. Those are my questions for the OFA.

FSCO, the Financial Services Commission of Ontario: Is somebody responsible for that, Minister?

**Hon. Dwight Duncan:** We'll take the questions and get back to you.

**Mr. Tim Hudak:** They're the same questions—and if you don't mind reporting back if you anticipate any growth in the sunshine list for 2008-09 and the number of FTEs this fiscal year and the number of FTEs in 2003-04.

I'll do some auto insurance questions as well, but I'll come back to those at another time.

For the Deposit Insurance Corp. of Ontario, I have the same questions: the number of FTEs in 2008-09 and the number that were there in 2003-04, as well as the sunshine list growth that's anticipated for 2008-09.

The Ontario Securities Commission?

**Hon. Dwight Duncan:** David is not here, but if you want to give us the questions—are they similar questions?

**Mr. Tim Hudak:** Yes, I have the exact same questions for the OSC.

**Hon. Dwight Duncan:** We'll get you those answers.

**Mr. Tim Hudak:** My colleague Mr. Prue was asking questions that were similar to those the PC caucus had about the delay of some of Dalton McGuinty's promises: specifically, the nurses; less urgent education capital improvement projects—\$25 million is the amount that you will be finding in savings this fiscal year from that deferral. Have you identified what those projects are?

**Hon. Dwight Duncan:** No. What we've identified is the calculation for how that will apply through the grants for student needs in each board—and represents about 20% of their previous allocation. So, in terms of the specific projects, no. Presumably those individual boards will make decisions on their lower-priority items.

**Mr. Tim Hudak:** It flows as one of the general grants to each board, so each board will face—

**Hon. Dwight Duncan:** It's part of the grants for student needs. It's one component of that, and each board knows how much it gets. Am I correct, Deputy, that it's 20% of that component?

**Mr. Peter Wallace:** I believe so. We'll check.

**Hon. Dwight Duncan:** Just let me double-check that for you. What will happen is that each board will have had its allocation already, and that will be reduced by

20%. So if it was \$10 million, it will be reduced by \$2 million to \$8 million. Those boards would make the allocation of the balance according to their priorities.

**Mr. Tim Hudak:** Is there a commitment, then, that that \$25 million will flow to those boards at a future fiscal year?

**Hon. Dwight Duncan:** There's a commitment that the full grants for student needs calculation will. What we've done, again, is, we have taken a percentage of what they would have otherwise received on the grants for student needs and reduced it by 20%. I do want to double-check that component. I'm going by memory as to how that precise calculation works. Our hope is to get back to the full 100% of the repairs and maintenance component of the grants for student needs in the future. As to when, I can't give you that day right now. We just don't know.

**Mr. Tim Hudak:** You're delaying the launch of the Ontario social venture capital fund. There had been an allocation of \$20 million in your economic statement. In what fiscal year will that project be launched?

**Hon. Dwight Duncan:** I don't know. Again, on all of those, I can answer your question: We've delayed them; we haven't said when we will reinstitute them. It will depend on the state of the economy, its impact on our revenues and our ability to fund the growth of new services.

**Mr. Tim Hudak:** Do you expect that it will be within the current mandate of this government?

**Hon. Dwight Duncan:** I would hope that it would be within the current mandate of this government. Again, the best analysis we're getting now from the range of economists we've met with and spoken to, including the governor of the Bank of Canada, is that the recession in the United States will likely be deeper and longer than most people have thought. That has a very direct impact on our economy. Again, depending on which analyst you speak to, relatively robust rates of growth in the economy are not expected to return until as late as the second quarter of 2010, or some say it will be as early as the third or fourth quarter of 2009.

The other thing to always bear in mind, and I don't want to put too fine a point on this because I don't expect this to happen, is that historically we have seen corporate tax returns go down when growth has gone up and returns go up when growth has gone down. Right now, because of all of the uncertainty, all of the volatility, it's very difficult to be as specific or as precise as we otherwise would like to be.

**Mr. Tim Hudak:** So there's no guarantee that within the mandate of the current government these promises will be fulfilled.

**Hon. Dwight Duncan:** The guarantee that we continue to give is that we intend to honour our campaign commitments. We will do that in the context of continued growth in the economy.

**Mr. Tim Hudak:** The \$3 million in savings from delaying the addition of 50 family health teams by one year—so this means that your full campaign commitment to family health teams will be achieved by which fiscal year?

**Hon. Dwight Duncan:** I don't want to say specifically. That particular item we've delayed for a year. I think we promised 50 new family health teams; I want to double-check that. But again, pending growth in the economy, our first line of defence in terms of managing the challenges before us is not to embark on new spending initiatives as opposed to having to reduce existing programs and services.

**Mr. Tim Hudak:** There is a \$10-million item that covers a number of restraint initiatives: reducing government staff travel costs, reducing print advertising for government jobs, freezing the real estate footprint, reducing the use of IT consultants, freezing the purchase of government vehicles and reducing government printing, photocopying, and fax costs. How do you allocate those \$10 million in expected savings?

**Hon. Dwight Duncan:** Those are cross-government savings that will be allocated among ministries and, again, will be part of our results-based planning process. One of the things you would have noticed this year is that the document that we distributed with the fall statement was considerably smaller. That's because a number of the tables that were normally printed are now done online. That was a cost-containment initiative. That represents \$10 million over the five months left in the fiscal year. In addition, our results-based planning process is under way, and we will continue to work with ministries to redefine priorities and fund new priorities.

**Mr. Tim Hudak:** Chair, how much time do I have left on my—

**The Acting Chair (Mr. Kim Craiton):** I'm going to close at this session. You have eight minutes and 50 seconds left—

**Mr. Tim Hudak:** Which I'll pick up in the next—

**The Acting Chair (Mr. Kim Craiton):** Which you'll pick up tomorrow afternoon.

**Mr. Tim Hudak:** Thank you.

**The Acting Chair (Mr. Kim Craiton):** Thank you, Minister; we appreciate it.

We'll be back tomorrow at 4 o'clock. This committee is adjourned.

*The committee adjourned at 1751.*











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## Legislative Assembly of Ontario

First Session, 39<sup>th</sup> Parliament

# Official Report of Debates (Hansard)

Wednesday 29 October 2008

## Standing Committee on Estimates

Ministry of Finance

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Journal des débats (Hansard)

Mercredi 29 octobre 2008

## Comité permanent des budgets des dépenses

Ministère des Finances

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Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

Wednesday 29 October 2008

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Mercredi 29 octobre 2008

*The committee met at 1603 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Tim Hudak):** Good afternoon, Minister, Deputy, members of the committee. We're back at our regular meeting on Wednesday, October 29, 2008, of the Standing Committee on Estimates—Ministry of Finance vote 1201.

We have about eight hours and 16 minutes remaining in our consideration. When the committee was adjourned, the official opposition had just over eight minutes remaining in its 20-minute rotation. I will now turn it over to the official opposition, followed by the third party and the government.

Do I have to actually read this: "Mr. Hudak, you now have eight minutes"?

**The Acting Chair (Mr. Lou Rinaldi):** He is so talented—

**Mr. Tim Hudak:** Thank you very much, Chair—a great job you're doing.

Minister, Deputy, welcome back. I think that in the last discussion we were talking about your \$108 million in restraint initiatives announced in the minister's economic statement last week. We were beginning to talk about internal government restraint. I'll say, perhaps, Minister, through you to the deputy minister: How do you allocate that \$10-million target among the various ministries?

**Hon. Dwight Duncan:** The \$10-million internal—

**Mr. Tim Hudak:** Exactly.

**Hon. Dwight Duncan:** A lot of these are kind of government-wide initiatives, Tim, whether it's travel and then you're setting priorities within. So there's a process through treasury board and Management Board and with our officials working in concert with treasury board, Management Board and then individual ministries. So there is what I would call, I guess, Deputy—and I'll ask you to perhaps elaborate—a give-and-take process. We try to allocate it in a way that is the least intrusive way, both from the public's point of view in terms of what the public would see or feel, and also internally from, "How do we cause the least disruption to the functioning of the government?" Deputy, did you want to add anything?

**Mr. Peter Wallace:** Yes, absolutely. It works, in my experience, in a way that's consistent with the way we've worked in the past. If I look past to other approaches

where we've taken, for example, 25% out of internal government administration, where we have taken a variety of other measures under earlier times or subsequent times, and another example is when this government committed to \$750 million worth of savings out of the Ontario public service, what's typically done is: We announce the measure; there's a set of criteria provided to ministries; the ministries then achieve the savings; we ensure that through a variety of treasury board and Management Board mechanisms; and then typically we would report on the success or lack thereof, if we haven't had success—but typically, we do have success—in a subsequent budget. So this very much follows the pattern and approach that have been used by treasury board for quite some time.

**Mr. Tim Hudak:** I'm not sure I follow. Do you assign those costs proportionally by ministry size? Do you set individual targets for each individual ministry?

**Mr. Peter Wallace:** No, we don't. We look for the overall expenditure objective.

**Hon. Dwight Duncan:** I like to think of it as a surgical procedure, one that—it might be easier to achieve a saving in one ministry, even though it's smaller than another ministry, because it's less disruptive both to the function of government and to the provision of services to the public.

**Mr. Tim Hudak:** Okay. You have a number of categories here, as we described yesterday. One of them is "Reducing print advertising for government jobs." Do you track how much you spent on print advertising for government jobs in, say, the last fiscal year?

**Hon. Dwight Duncan:** We track most items, yes. One of the first examples is one I referenced yesterday, and that is, in terms of the documents that were printed for the fall statement, you'll notice that this year's background documents are quite a bit smaller. That's because we chose to put a number of the tables online and didn't print them.

**Mr. Tim Hudak:** If I could request that, Minister, just so we, through the estimates committee, can help track this. If we could have the Ministry of Finance's estimate for two items that you list here, which are the print advertising for government jobs and government printing, photocopying and fax costs—if we could have the estimates that the ministry has for fiscal years 2004-05 to the estimates for this fiscal year.

**Mr. Peter Wallace:** We can certainly endeavour to get that. I'll offer a caution on that, which is of course

twofold: that these are typically tracked by the Ministry of Government Services in its various incarnations, and then looking back, I'm not sure we'll be able to find exactly those numbers, but we'll certainly endeavour to find the best estimates we can.

1610

**Mr. Tim Hudak:** I appreciate that. Best efforts are much appreciated, Deputy. Then the other item that falls in this category, freezing the purchase of government vehicles for the rest of 2008-09—a similar request, if you do have it, the number of government vehicles purchased in each of those fiscal years.

The last item in terms of your restraint initiatives, delaying the launch of the Ontario social venture capital fund—\$20 million. Minister, when do you anticipate that the social venture capital fund will actually be launched?

**Hon. Dwight Duncan:** When there's sufficient growth in revenues to allow us to proceed. Clearly, we want to do it during the course of our mandate, and we'll have to see how the economy performs moving forward.

**Mr. Tim Hudak:** Okay. Is there a guarantee that that will occur in the mandate of the current government?

**Hon. Dwight Duncan:** It's a guarantee that we want to continue to implement our mandate as the state of the economy and the state of our revenues allow.

**Mr. Tim Hudak:** Do the restraint initiatives as well, Minister, extend to agencies of the government or just within ministries?

**Hon. Dwight Duncan:** Just within ministries. That's within the government itself at this point.

**Mr. Tim Hudak:** For example, the LCBO or the OLG: They've not been given a mandate to reduce—

**Hon. Dwight Duncan:** What I announced in my fall statement was the government itself, not its agencies.

**Mr. Tim Hudak:** Are you contemplating asking agencies to similarly restrain their spending this fiscal—

**Hon. Dwight Duncan:** As I've indicated, depending on the state of the economy, we would have to consider a number of different responses, Tim, and we'll see how things unfold.

**Mr. Tim Hudak:** A couple questions—Chair, how much time do I have left?

**The Acting Chair (Mr. Lou Rinaldi):** Just two minutes.

**Mr. Tim Hudak:** The LCBO now reports to the Ministry of Finance. Minister, I had asked some questions yesterday about the number of employees on the sunshine list expected for this fiscal year and, secondly, I would also request the number of employees at the LCBO—FTEs for the fiscal years. I think I did 2003-04 until 2008-09.

One of the initiatives that you have through the LCBO and including the Ministry of Finance—it's Minister Takhar's ministry, but you're Minister of Finance—is the VQA enhancement program, which obviously is a great benefit to my constituents. It expires in this upcoming fiscal year. I would certainly support an extension of that program. Is the ministry planning on extending that program? Have you measured its success?

**Hon. Dwight Duncan:** To be candid, at this point, Tim, I would hope that we can. We haven't had what I would call a dialogue with the LCBO about that at this point in time, but we are very much, like you, interested in promoting the sale of Ontario's fine wines. A number of my constituents are in the business as well.

**Mr. Tim Hudak:** Certainly from an economic point of view, the spin-off benefits have been strong in the agriculture and tourism community as a result, and I would—

**Hon. Dwight Duncan:** And you know I've put \$25 million into the research institute in my last budget, and we've taken a number of other initiatives, but I'll take your advice and guidance very seriously.

**The Acting Chair (Mr. Bob Delaney):** Just to let you know, you have a little over 30 seconds in this round.

**Mr. Tim Hudak:** A different Chair—musical Chairs.

The marketing fund is my last question with respect to the LCBO. Unfortunately, the marketing funds that you've extended are also expiring in this upcoming fiscal year. Those are marketing dollars that have been assigned as part of the Ontario wine strategy, which I believe is \$2 million a year for five years. I'm just wondering if the ministry has reviewed that program, if they think it's a productive program, and considering—

**Hon. Dwight Duncan:** Well, the ministry would rely on the guidance of the board of directors of the LCBO. They report to the government through me, and I will endeavour to get you an answer from the board on that. I haven't, candidly, been briefed on that or I don't have an answer available to me.

Deputy, is there anything you can add to that at this point?

**Mr. Peter Wallace:** Nothing at this point.

**Hon. Dwight Duncan:** So we'll get back to you on that.

**Mr. Tim Hudak:** Okay. Thank you.

**The Acting Chair (Mr. Bob Delaney):** Thank you. Now it's the rotation of the third party.

**Mr. Michael Prue:** A couple of questions: Yesterday, I was talking to the minister and asked questions about the ministry's result-based plans, including three-year forecasts. Can you provide the committee with the plans for each ministry with three-year out-year estimates from the 2007-08 planning process? That is, I'm looking for 2008-09, 2009-10, 2010-11. I'm really looking at the forecasts from last year. I'm not looking for anything that's happened this year but the forecasts. Can you tell me where you anticipate or anticipated the ministry's plans going?

**Hon. Dwight Duncan:** We've already published projected expenditures in the 2008 Ontario budget document. Those remain the current projections of the government until the next budget.

**Mr. Michael Prue:** So you have not deviated anything whatsoever from the plans tabled last spring in spite of what's happened financially?

**Hon. Dwight Duncan:** We updated for this year in the fall statement. As I indicated in the fall statement, we did not update those yet because of the volatility that's going



on in the world economy right now and based on the best advice we have from a number of economists. So what I think we can say and what we did signal is that there will likely be changes by the time the budget is tabled in late March, presumably, next year.

**Mr. Michael Prue:** So I just want to be absolutely clear. Everything that was printed last spring in the budget process remains extant and has not been deviated from.

**Hon. Dwight Duncan:** Save and except those changes that were indicated in the fall statement as respects this year. Just to reemphasize what I said, the estimates for next year and the year after are the most recent numbers the government has provided. They remain the best numbers available to us, but I have signaled clearly and will signal again that we fully expect changes resulting from the enormous volatility that's gone on in both the world and the Canadian and Ontario economies.

**Mr. Michael Prue:** Thank you. My next question is more related to the bureaucracy than to the minister. The minister mentioned yesterday that the results-based planning process has only just begun—and I believe that to be true—but that some discussions had taken place at the senior levels around expectations. Have senior staff from the Ministry of Community and Social Services discussed implementation timelines for a poverty strategy with any of your finance colleagues?

**Hon. Dwight Duncan:** I can partially answer that and then turn it over to my deputy. Senior officials of the Ministry of Community and Social Services as well as the Ministry of Children and Youth Services have been involved in the poverty committee, and all of their deliberations have been—principal providers of information, if you will, have done a lot of the background work for us, as have officials from other ministries, and there are folks in that ministry who are dedicated to that task.

The last point I would make is that the Minister of Community and Social Services and the Minister of Children and Youth Services, as well as myself and a number of other ministers, are part of the poverty committee. With respect to internal-to-the-ministry discussions, I presume they've had those. Peter?

**Mr. Peter Wallace:** Senior officials in all of those ministries, cabinet office and others would of course be communicating in support of the government's poverty agenda.

**Mr. Michael Prue:** Has there been any discussion about a down payment or when that down payment might be realized? Is it in the next fiscal year?

**Hon. Dwight Duncan:** What the Premier has indicated and I've said is that we will—in my last budget, the March 2008 budget, we raised the child benefit. We have indicated publicly the funding for a dental program is included in the budget. It has not been taken out. In addition, we have also, as part of our work, looked at a whole range of strategies. But there have been ongoing discussions around cost and implementation. What both the Premier and I have indicated is that we will proceed

with implementation, perhaps not as quickly as we would like or others would like, but we will proceed with implementation. Once the plan is completed, once Minister Matthews has made the public aware of that, then we will proceed to begin implementation.

**Mr. Michael Prue:** It's fair to say that the dental plan monies have not been taken out, but I don't believe they've been spent, either.

**Hon. Dwight Duncan:** There's been enormous work going on with public health units and others with respect to how to set that up and how best to serve the need. I'm not sure when there will be an announcement, but it is, as I say, the government's intention to proceed with that.

1620

**Mr. Michael Prue:** There are less than five—well, there are five months and two days, not less than five, till the end of the fiscal year. When do you anticipate that expenditures will be made on the debt or on poverty initiatives—

**Hon. Dwight Duncan:** Well, expenditures have already been made in terms of the preparatory work that will go into setting up a program of this order of magnitude. I'm going by recollection, but there have been a number of consultations within government involving a range of stakeholders, as well as some preliminary work done on budgeting and so forth, so there is a lot of work going on. I think the question you're driving to is, when will these public services be available? I don't have an answer to that, but I'll endeavour to get back to you with as good an estimate as I can give you.

**Mr. Michael Prue:** Okay, because I'm trying to remember the figure, exactly—was it \$50 million or \$100 million that was going to be spent on this? I'm just trying to figure out—I know that a few dollars may have been spent in preliminary work, but how many dollars have actually been spent on fixing teeth?

**Hon. Dwight Duncan:** There have not been dollars spent on that yet. Our undertaking was to implement the program over the course of our mandate. I can tell you we've made good progress in terms of getting to the point where the public service will be available. We want to make sure we get it right, we want to make sure that the public funds that are allocated to this make their way to those people who require the services.

**Mr. Michael Prue:** Okay. My next questions relate again to poverty, and they may not be possible to answer, so if they're not, please feel free to give me a response later.

ODSP recipients who work have 50% of their earnings deducted from their monthly income support. If this clawback rule was not in place, how much money in total would flow to ODSP recipients, i.e., how much is the treasury taking in in terms of a clawback? You can put it either way: how much you're taking in in terms of the clawback or how much more would flow to ODSP recipients if you didn't do it.

**Hon. Dwight Duncan:** We'll have to get back to you on that, Michael.

**Mr. Michael Prue:** All right. The next question is similar: Do you have statistics on the number of ODSP

recipients who are developmentally delayed? I don't have a definition for that, but I would like to give an example of some young people—I see them as young because they're younger than me—who work in a place called Common Ground and another group who work in a group called Lemon and Allspice, where they prepare meals and treats that they sell. They work and they get the money; they are paid to work in that establishment. They are all recipients with developmental delays, and they have the majority of their wages clawed back so that they get the \$999 a month from ODSP and the work that they do largely goes unrewarded, except for the good feeling they have of going to work every day.

My question again is, do you have statistics on people who are developmentally delayed, and if the clawback rule wasn't in place, how much additional money, if any, in total would flow to developmentally delayed ODSP recipients?

**Hon. Dwight Duncan:** I don't have those statistics with me. If they're available, we'll get a response for you.

**Mr. Michael Prue:** The next question is similar again: Ontario Works recipients also face reductions or clawbacks in benefits when they have employment earnings. If benefits flowed to Ontario Works recipients without regard to employment earnings, how much additional money would flow to Ontario Works recipients? I'm thinking here about, say, a single mother who from time to time might get a job babysitting, because she's at home with her kids and might take in another child during the day, and has to declare that as income. How much money is the government clawing back from Ontario Works recipients, and the alternative: How much money would it cost if you did not claw them back?

**Hon. Dwight Duncan:** We'll get you those numbers. I would like to say to the broader question—and that is what Roger Martin, in his last report to the government, talked about, the marginal effective tax rate on the lowest-income individuals. I can tell you as part of the work of the poverty reduction committee, we are looking at a number of rules around the welfare system, whether it's ODSP or OW, in terms of what those rules do to constrain people from getting out of poverty or constrain them from being able to advance more quickly. So we're looking at a range of those things. In terms of the dollar amounts associated, as I say, we'll provide you with that. The other issue we look at too is assets—the amount of assets people can hold.

These are all the sorts of issues that the poverty committee has been looking at and we'll have more to say about, as I think the minister has indicated, in December.

**Mr. Michael Prue:** The reason I ask this, and I'll be very blunt—I'm asking about three groups. But the one that most seems unfair to me is that people with developmental delays, people who get \$999 a month, or the equivalent of \$12,000 a year—were they to keep or be allowed to keep \$600 a month, or \$7,200 a year, that would bring them to the poverty level. When we claw that back, what we're saying, in effect, is: "If you are born with developmental delays, you are destined to a

lifetime of poverty. You can never get out of it, even if you work."

What I'm trying to find out is how much—and I realize you're going to answer this, but I just want to put it on the record—it would cost the government to free up literally thousands or tens of thousands of people who could earn, or might realistically be expected to earn, \$600 or \$700 a month and actually, for the first time in their lives, be free of poverty. How much would it cost the government? I understand that you've already answered it, but that's the rationale behind this.

**Hon. Dwight Duncan:** I think you would find agreement among probably all of us in the political world that all of us want to do what we can to alleviate poverty, to help those who need our assistance. We're going to differ on method. But I think the government is very sensitized to the issues that the welfare rules impose on recipients. One of the government's major initiatives that deals with the marginal effective tax rate, not just on ODSP and OW recipients but also on the working poor, is the Ontario child benefit. The effect of that benefit is to reduce the marginal effective tax rate on the lowest-income people in our province. That constitutes an important response. But we will provide you with the response to the questions you asked.

**Mr. Michael Prue:** The next question is similar again, although slightly different. As part of a restructuring package in July 2008, the government reduced the basic needs allowances for Ontario Works and ODSP recipients. Some would call this a clawback. If this basic needs allowance or allowances were not reduced, how much additional money would flow to Ontario Works and ODSP recipients, or, in the alternative, how much money does the government realize in total dollars from enforcing this clawback?

**Hon. Dwight Duncan:** I'm not sure I would agree with the premise of your question. I don't think any steps that the government has taken over the course of its entire mandate would constitute a clawback or a reduction of benefits. So it's difficult for me to respond in that way, but I'll endeavour to get up to speed with respect to what you've raised. It certainly is not my view that we have, in any way, shape or form, reduced benefits.

**Mr. Michael Prue:** Then the minister thinks that in July 2008 the government did not reduce the basic needs allowances for Ontario Works and ODSP?

**Hon. Dwight Duncan:** I think what happened was a restructuring of the benefits and the components. The net effect was that people were not affected. But again, I'd have to defer to my colleague the Minister of Community and Social Services. I'll endeavour to speak with her and have a more fulsome response. Others have not characterized the changes that you have referenced in the way you've characterized them.

**Mr. Michael Prue:** I guess maybe I see the world from different-coloured glasses.

**Hon. Dwight Duncan:** You certainly do.

**Mr. Michael Prue:** Okay. Next question; again, also similar but different. This year, the government also cut



the winter clothing and back-to-school allowances to social assistance recipients. I realize that there were other monies that flowed, but you did cut the winter clothing and back-to-school allowances to social assistance recipients. The back-to-school allowance is \$73 per child under 13, or \$143 per child over 13. The winter clothing allowance is \$111 per child, irrespective of age. If these allowances weren't cut, how much more funding would flow to recipients?

1630

**Hon. Dwight Duncan:** Again, I would not characterize what happened as a cut. As you did indicate, monies flowed other ways. Again, those questions—I will have to speak again to my colleague the Minister of Community and Social Services about precisely the changes that were made, how money was flowed in other ways and what that meant in terms of direct impact on beneficiaries.

**Mr. Michael Prue:** Changing the line of questions, and I'm hoping and looking forward to these, when do you anticipate that last group of questions might be answered—the next day we're here, or might it take longer?

**Hon. Dwight Duncan:** That may take a bit longer, because those are really questions that are appropriate to another minister, but I will endeavour to—

**Mr. Lou Rinaldi:** Chair, on a point of order: In the past, and I'm just looking for a ruling here, questions that fall under other ministries—right now, we're dealing with the Ministry of Finance and I'm not so sure if the specific question as to the number of recipients and so forth is a direct responsibility of the Minister of Finance.

I would hope, if the Minister of Community and Social Services comes before this committee—I'm not sure of the schedule; I don't have it in front of me—that those questions should be addressed to that minister. I think they are quite specific, sir.

**Mr. Michael Prue:** On the same point of order: The Minister of Finance funds every single ministry. I asked that question, my very first one yesterday, and it was agreed that the Ministry of Finance funds and looks at the expenditures of each ministry, determines which ministries are going to get which monies, determines whether or not the ministries are going to get the full allocation they're requesting or less, and helps to determine and monitors with them how those expenditures are spent.

It seems to me that if this Minister of Finance does not have the information directly—and I acknowledge he may not—certainly, it is within his purview to find that out from his colleagues.

**The Acting Chair (Mr. Bob Delaney):** As you acknowledge that the Minister of Finance doesn't have the information directly, it might be, in the circumstances, more germane if you raise the matter with the applicable ministry, when and if they come to estimates.

**Mr. Michael Prue:** Well, the Minister of Finance is before us, and he has said he will endeavour to find that information. I don't know why the government member doesn't want the minister, who has agreed already to find that information out, to do so.

**The Acting Chair (Mr. Bob Delaney):** What the Chair would propose on this one is that, as the minister has given you an undertaking, perhaps the minister should honour the undertaking. The Chair would suggest to you that if you wish to raise a question pertaining to the spending or the estimated spending of a particular ministry that is not the Ministry of Finance, perhaps you might raise it when that ministry comes before estimates.

**Mr. Michael Prue:** Well, those would be the end of my questions for community and social services, in any event. I will try to bear that in mind when I relate to other ministries, because government is complex and the Minister of Finance ultimately controls the purse strings of each and every ministry.

**Hon. Dwight Duncan:** Chair, if I might? What I can tell the member is that, again, I'm quite certain that the government would not agree with your characterization of steps that have been taken, so it's difficult for me to respond to that. I will speak to my colleague.

I can tell you that general welfare benefits—the ODSP and the entire expenditure line on community and social services—have gone up. In my last budget, we raised benefits 2%. We've raised them in each of our last three or four budgets. So, from the question of the Ministry of Finance's response, those are the salient numbers. But again, I am curious to hear from my colleague the Minister of Community and Social Services. I know the creative efforts that ministry would have made to deliver this money in a better, more efficient way that sees to it that recipients would, hopefully, benefit overall from the changes.

**The Acting Chair (Mr. Bob Delaney):** Thank you. In looking at the clock, I have to move the rotation to the government.

**Mr. Phil McNeely:** Thank you, Chair, and Minister.

Municipalities and their infrastructure priorities benefited from the Investing in Ontario Act this year. My municipality of Ottawa—I think it's \$77 million that they're looking forward to receiving. How was infrastructure chosen as the beneficiary of this Investing in Ontario Act?

**Hon. Dwight Duncan:** There were a range of factors that went into the decision-making, Phil. The first is priority in this time. All levels of government have acknowledged what I would term the "infrastructure deficit." We had better-than-anticipated revenues last year. We chose to invest those in paying down debt, and also the \$1.1 billion in infrastructure investments that are going to our municipal partners.

Part of the challenge you have when you have a surplus in any given year—some folks kind of think it's like at home: If you've got a little extra money, you put it in the bank and use it down the road. We could have applied all of that money to pay down the debt last year. Instead of that, we applied about \$600 million to the debt and decided to help pay down some of the infrastructure deficit.

Because municipalities are not consolidated on the provincial books, that allowed us to flow the money to those municipalities. What the Investing in Ontario Act

did was set up a trust so the money could be held until the next year, even though it's against last year, so that we would have time to see if there would be any additional surplus. There was, so that trust was in effect set up.

The final numbers were finalized just before the release of public accounts, and so once that was done and ready, then the Premier announced at AMO the total amount, and those monies are now being allocated, essentially on a per capita basis—there are a couple of minor modifications—to municipalities. I would anticipate that those municipalities would be in receipt of the money probably within the next two to three weeks.

**Mr. Phil McNeely:** Minister—they got a big snowstorm in Ottawa today—how are we going to ensure that those dollars go to infrastructure?

**Hon. Dwight Duncan:** The municipalities give us an undertaking. Again, we have tried to build partnerships with these municipalities. We have report-backs associated with it, we have the right to independent verification and audit, and we have the right to recover funds if they don't. We had a lot of money in my last budget that was allocated, the MIII money, which I know Ottawa received a good portion of. As I've travelled the province, I've had an opportunity to look at a number of the projects that are in progress now.

One of the reasons we chose municipalities, too, which I didn't go into earlier, was they actually have projects that are ready to go. The engineering is done and environmental assessments are in place, a whole range of things.

We saw the challenges in the economy; we've been dealing with them really for some time now. We certainly didn't see what's transpired on world financial markets, but because of what had been going on in manufacturing and forestry, because of the state of the US economy, we were anxious to see projects that we knew could be in the ground and under way this year. The MIII money, you'll see that in communities across Ontario. I would assume that the money that's flowing next week—we probably won't see a lot of construction until the construction season resumes again. But again, we have all the normal checks and balances in place, and that includes reporting mechanisms that satisfy the Provincial Auditor.

**Mr. Phil McNeely:** Thank you, Minister. Amrit, you wished to ask some questions?

**Mrs. Amrit Mangat:** Minister, as we all know, the global economy is going through challenging times. Ontario has been hit hard, but I have good news to share with you. In my riding of Mississauga—Brampton South, there are companies, such as 6N Silicon and 2Source, that are doing well and they are creating jobs. During these challenging times and in the past five years, our government has created 550,000 net jobs.

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I had the chance to tour these companies. I met with the presidents of these companies. The question they were most talking about is their taxes, that if their tax burden can be reduced, they can invest that money in

research and innovation and they can further help in creating more jobs.

My question to you, is what is the government doing to alleviate the tax burden on the manufacturing and resource-based sectors?

**Hon. Dwight Duncan:** We've taken what I would call a strategic tax cut approach to the question you've raised. Back in 2004, we laid out a path for the elimination of the capital tax. The capital tax isn't a well-understood tax. Frankly, it's a bad tax and it's a disincentive to businesses to invest. The business community has told our government repeatedly that that was their priority for cutting. So we did that. We had originally programmed it over a seven-year period of time. We have since accelerated the period for elimination—in fact, have eliminated it—and made it retroactive for manufacturers in my fall statement last year. That put \$190 million right into the hands of manufacturers.

You pay the capital tax whether or not you're making money. The Conservatives have called for a cut in the general corporate tax rate. That won't benefit a number of manufacturers and others in the sectors that are struggling, because, again, you only pay those corporate taxes if in fact you're making money at any given time. Our desire was to get that money out the door and into the hands of these businesses.

The NDP have advocated a credit, which was advocated by a number of others. It's a very worthy alternative. It's something that I think we have to look at seriously. The reason we chose to do what we did was, the implementation of the credit that the NDP has advocated—money still wouldn't have flowed because, first of all, you have to go through your fiscal year. You have to determine whether you make money or lose money, and the Canada Revenue Agency would actually administer it. So the time lag from when we made these steps to when the money would actually flow to these businesses probably still would not have happened. Probably they wouldn't see any money till next year, even if we'd done it a year ago.

I still think it's a worthy idea. It's been advocated—I just had a chat with Ken Lewenza at the CAW, for instance, and some others. It's worthy of serious consideration. So we focused on that.

The other one we've done is the business education tax, lowering and equalizing it across the province. Again, that was scheduled to be phased in over a period of time. We've shortened that period of time. In fact, in my last budget—we've already taken it and fully implemented it in northern Ontario. Again, that was a recommendation of the Canadian Federation of Independent Business.

I think the final piece I would say is that we also increased the threshold to be eligible for the small business tax rate, which is a considerable savings for small business. Again, it was at the behest of a number of small business organizations. It was well received by those communities and allows more businesses to qualify for the lower tax rate for small businesses. Also, we changed



the amount of income you require over time to allow them to stay qualified for it longer. Again, that was in response to a number of organizations—the chamber of commerce, the CFIB and others.

**Mrs. Amrit Mangat:** Are there other programs in place to help the manufacturing sector?

**Hon. Dwight Duncan:** We have done a number of programs over time. We've been doing it for five years now. AMIS is a good example. We have loan commitments of \$90 million, which have generated more than \$880 million in new investments. These investments have retained or created 4,000 jobs. We had something called Oasys; \$500 million towards the automotive sector, which leveraged \$7.5 billion in new investments in Ontario. All of the Detroit Three, Toyota and Honda have benefited from that.

In spite of the challenges in the automotive sector and the very real issues we're confronting today that, frankly, are beyond anything that anybody contemplated even several months ago, those programs have helped better prepare both the assemblers and those who supply them with flex manufacturing capacity and so on, and better prepare them to accept new product mandate in the future. Again, we have the Next Generation of Jobs Fund, which is a \$1.15-billion fund. We've got a bit of money out so far for that. It's a relatively new fund. We'll continue to make investments, not just in automotive but across a range of sectors. A portion of that fund is being administered by my colleague the Minister of Research and Innovation, a portion by the Minister of Economic Development and Trade. Those initiatives are designed to encourage new investment and retain existing investment here in Ontario.

**Mrs. Amrit Mangat:** Is there any other program our government has to help the auto parts industry?

**Hon. Dwight Duncan:** Those are the main programs, but through economic development, through a range of other ministries—skills training, for instance; we do a lot of work on the skills training side—we provide a lot of opportunities and work with the automotive industry, with the CAW and with the parts folks as well in terms of helping ensure that our automotive sector can continue to be competitive.

We're watching very closely what's going on right now in Washington, in terms of the negotiations according to media reports—we don't have any inside track with these negotiations that are involving the government of the United States, General Motors and Chrysler—it would see the merger of General Motors and Chrysler. There's enormous concern around the implications for the industry, both in the United States and here in Canada. Of course, when you say "Canada" in the automotive sector, you're certainly speaking about Ontario.

We watch that very carefully. We'll see where this goes. My colleague Michael Bryant, myself and others in the government have been in pretty close communication with the industry, with the parts industry and with the unions. We'll watch that very carefully.

**Mrs. Amrit Mangat:** Has any auto parts industry approached your ministry for help or something?

**Hon. Dwight Duncan:** Oh, yes. In fact, this week I had a letter from the Automotive Parts Manufacturers looking for loan guarantees. We've done that in the past. We haven't responded to their specific request. We have engaged a dialogue with them over time.

The final point I would make is what is absolutely essential is that the federal government take the lead, the way it is in the United States. It is the Bush administration that is involved in these discussions with Chrysler and General Motors. We need the federal government to take the lead on this file as they've done in the past.

There's a long history of government involvement with the sector, going back to the Auto Pact. I was a young staff person working for the Minister of Industry at the time of the Chrysler loan negotiations, where the governments of Canada, the United States and Ontario provided loan guarantees to Chrysler Corp. at the time to prevent insolvency. Those loan guarantees were never executed; that is, Chrysler never actually borrowed the money. They were removed, I think, four years ahead of schedule. The people whose jobs and investments were protected—the plants continue to pay taxes and employ people, even in this challenging time.

We have to be cognizant of the important role the federal government plays, especially when the government of the United States is involved. We'll watch very carefully, and I've asked formally—I'm scheduled to speak with Mr. Flaherty; we're trying to line up the time. The finance ministers of Canada will be meeting on Monday next, but my advice to the federal government is that they need to take a leadership role in an industry that is extremely important.

In your community and my community, when you talk about Chrysler and General Motors, you're talking Windsor, you're talking about Brampton, you're talking about St. Catharines, you're talking about Oshawa, you're talking about Etobicoke, you're talking about a number of communities in between with suppliers and so on—you're talking about the leading contributor to GDP. We simply cannot just sit back and watch. We have to take, in my view, a more active role, and given that the government of the United States is involved, as a provincial government—we can't go directly to the government of the United States, but my hope is that our federal counterparts will recognize the significance of the industry to Ontario. Again, it comes back to what the Premier has been saying about how southern Ontario is the only part of the country that doesn't have a regional economic development fund that the federal government is involved in.

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**Mrs. Amrit Mangat:** Thank you, Minister. I think my colleague Kevin has a question.

**Mr. Kevin Daniel Flynn:** Challenging economic times often bring around a discussion about tax cuts. You'll get a few opinions on that. Some think we should have more; some think we should have less. Ontarians look to you to be the person who strikes that balance when decisions like this have to be made. I just wonder if

you could offer some opinions to the committee as to how you think the proposals that you've outlined strike the balance that Ontarians are looking for, allowing for the provision of public services yet having fair and competitive taxes.

**Hon. Dwight Duncan:** We have taken an approach to taxes that has strategic, or targeted, corporate tax cuts for the reasons I outlined earlier. By the way, our tax rates, in spite of what some say, are still very, very competitive. The federal government is now at a 19% corporate tax rate, and we're at 14% and 12%. They'll get theirs down to 15%, they say, by 2012. So we think that our corporate tax rates are fair and competitive. They're certainly below all—all—of our competitive US jurisdictions.

I don't know if you've been following the presidential election in the United States. Both McCain and Obama have talked about corporate taxes. McCain has talked about the US having a high corporate tax rate, combined, of 38%. So, given the circumstances and given our desire and how we wanted to proceed, and based on the advice that we had from the corporate sector here in Ontario, we chose the capital tax and the business education tax. By the time they're fully implemented, those reductions will be \$3 billion in tax cuts. We're already at \$1.5 billion. We balanced that against the need to pay down debt and the need to invest in things like infrastructure. We think that we have the right balance, and we'll continue to—

**The Acting Chair (Mr. Bob Delaney):** This is your two-minute warning.

**Hon. Dwight Duncan:** We'll continue to monitor that.

The one thing we won't do is borrow money for tax cuts, okay? It just compounds the problem. We see now the deep, deep deficit position and challenges that the government of the United States and other states face. We believe that the choices we've made are manageable within the context of all of our needs. We have a deficit in infrastructure. We have a deficit in education. We've had deficits in health care. There's more to be done. Obviously, we've had to slow down some of those new investments because of the financial situation, but the \$1.5 billion in targeted tax cuts we believe were the right cuts when they were needed.

In the case, particularly, of the capital tax, Amrit and I had the opportunity to be at Honeywell this summer, and we brought them a cheque I think for a rebate of \$600,000, which the president of the company indicated they'd be investing in employment and new machinery at the time. Manufacturers and others were receiving those cheques throughout the summer, and we thought that that was the most appropriate way to get money into those sectors that are particularly challenged right now.

**The Acting Chair (Mr. Bob Delaney):** Thank you, Minister. That basically takes you to the limit of your time. Mr. Hudak.

**Mr. Tim Hudak:** Just a couple of more agencies that fall under your ministry: I wanted to check again the number of FTEs from the fiscal year 2003-04 to this fiscal 2008-09 and any additions to the sunshine list. I

think I missed the Ontario Electricity Financial Corp.—I'm not sure any folks are actually working there, but I'll ask the question nonetheless—and the Financial Services Tribunal.

I had a couple of questions about Bill 114—I'm not sure if there are some folks from legal who can answer these off the top of their heads—specifically schedule U. The Taxation Act, 2007, is amended under schedule U of Bill 114 currently before the assembly. Schedule U is maintaining the dividend tax credit for Ontario purposes at 7.7% despite a decrease in the federal dividend tax credit under the Income Tax Act of Canada. So basically the federal government made an improvement in the dividend tax credit and you're not changing it. Can you explain that to me?

**Hon. Dwight Duncan:** I'm going to ask one of my officials to explain that, Tim.

**Mr. Tim Hudak:** No problem.

**Hon. Dwight Duncan:** Steve?

**Mr. Steve Orsini:** Steve Orsini, assistant deputy minister, office of the budget and taxation. When the federal government moved to integrate the personal and corporate income tax system, they brought a dividend tax credit into place. We paralleled that, but phased it in over several years. We tied ours to the federal dividend tax credit because we're harmonized with their system. As a result of their planned corporate income tax cut, they're adjusting their dividend tax credit, so we have to adjust ours linking up to theirs to keep ours steady. Does that make sense?

**Mr. Tim Hudak:** I think so. So we kept ours steady, but should we—

**Mr. Steve Orsini:** Because ours is tied to the federal dividend tax credit that's being reduced. As their corporate income tax rate falls, they don't have to have a large enough dividend tax credit to integrate the system. So we have to adjust ours to keep it steady because theirs is falling down and we're tied to them.

**Mr. Tim Hudak:** Right. But you say it would keep ours steady in terms of the revenue that comes in?

**Mr. Steve Orsini:** In terms of our target rate; we're still phasing it in so our dividend tax credit is increasing, but we have to make adjustments because ours is tied to theirs and theirs is declining.

**Mr. Tim Hudak:** Okay. The other part is—maybe Mr. Orsini can respond to this too—schedule U increases the income threshold to \$24,300 in the calculation of property and sales tax credits for seniors.

**Mr. Steve Orsini:** Correct. As the federal government has increased old age security and other seniors' benefits, we ensure that our property and sales tax credits max out as their incomes tied to the federal programs increase. So this is just to ensure that they can still benefit from the maximum property and sales tax credit tied to higher income levels, tied to the federal programs. When we announced it in the budget, we said it would be a \$1-million cost this year, then \$5 million on an ongoing basis. We had to wait until the federal government actually set their rate, and that happened in the summer.



**Mr. Tim Hudak:** Okay. So you're increasing the ceiling.

**Mr. Steve Orsini:** The ceiling, so that when you claim your property sales tax credit you benefit fully.

**Mr. Tim Hudak:** So no seniors will be falling off this?

**Mr. Steve Orsini:** They won't be falling off as a result of higher federal payments.

**Mr. Tim Hudak:** Thanks for clarifying, I appreciate it. Schedule O is this other one—

**Hon. Dwight Duncan:** I guess you could think of that as a tax cut.

**Mr. Tim Hudak:** Just the way it was written, I was worried that seniors were falling off, but I appreciate Mr. Orsini's—

**Hon. Dwight Duncan:** The government's made sure we looked after this, too.

**Mr. Tim Hudak:** Schedule O, the Ontario Capital Growth Corporation Act, 2008, under your bill, Minister—I'm not sure if that particular agency is going to fall under the Ministry of Finance or if it's the Ministry of Research and Innovation. Just by way of background—I know this is a thick bill—this is the agency that is going to administer and deal with the interests of the government of Ontario in the Ontario venture capital fund you launched in 2007. Does it fall under finance, or—

**Hon. Dwight Duncan:** That falls under research and innovation.

**Mr. Tim Hudak:** Maybe I could ask you this. You—

**Hon. Dwight Duncan:** And I should point out that it's a governance function. We've actually engaged TD to manage the monies on that particular fund. Gadi?

**Mr. Gadi Mayman:** Gadi Mayman, from the Ontario Financing Authority. Yes, that was set up with TD. There are four other private sector investors; the government is the lead investor with \$90 million dollars. The new agency that is being set up will be the one that is the government's representative as a limited partner; the general partner is TD Bank.

**Mr. Tim Hudak:** This was launched in 2007 with—was it \$80 million?

**Mr. Gadi Mayman:** It was \$90 million.

**Mr. Tim Hudak:** It was \$90 million in provincial funds.

**Hon. Dwight Duncan:** The government contribution in this is a total of \$205 million.

**Mr. Tim Hudak:** So who is advocating for the government's interests at this point in time?

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**Mr. Gadi Mayman:** The Ontario Financing Authority is the representative of the government until this new entity is set up.

**Mr. Tim Hudak:** So why don't we just continue with the OFA playing this role, as opposed to creating a new corporation?

**Mr. Gadi Mayman:** The new corporation is—this entity, or this project, should be under MRI because it's within their purview. We just didn't have an entity that would be able to do this at the time of the budget. We

wanted to move forward quickly with the setting-up of the project because the co-investors wanted to move forward on it. Therefore, as a stopgap measure, the OFA was put in place as the government's representative until a separate agency could be set up.

**Mr. Tim Hudak:** Okay. Has the venture capital fund made investments to date in firms?

**Mr. Gadi Mayman:** There have not been any investments made to date.

**Mr. Tim Hudak:** So the money is sitting in an account.

**Mr. Gadi Mayman:** There have been some start-up costs, which I think total around \$4 million, which have been paid out through TD, but there have been no actual investments.

**Mr. Tim Hudak:** For management of the fund?

**Mr. Gadi Mayman:** That's correct.

**Mr. Tim Hudak:** So if they've made no investments, how come they've spent \$4 million?

**Mr. Gadi Mayman:** These were the set-up costs. The process has been in place for, I think, close to two years now in preparing this.

**Mr. Tim Hudak:** Help me understand how those set-up costs could be \$4 million.

**Mr. Gadi Mayman:** This is the charge that is charged to us by TD as the general partner for the general costs that they have in order to prepare to set up the organization.

**Mr. Tim Hudak:** What has TD done for the \$4 million?

**Mr. Gadi Mayman:** I could get you more information on that.

**Hon. Dwight Duncan:** It's not unlike a fee you pay on a mutual fund and so on.

**Mr. Tim Hudak:** Which I'd appreciate if they'd made some exchanges, right? They haven't made a single investment yet.

**Hon. Dwight Duncan:** But there's a lot of preparatory work into these investments, and as you know, there's also an amount of risk associated with these investments. We have to make sure we get things set up properly. But we will get back to you on the specifics of what they've spent that money on.

**Mr. Tim Hudak:** Super. Thank you, Minister. I do appreciate it. Because it does, I think you'll appreciate, sound like a significant sum, if they've not actually made any particular transactions as of yet.

**Mr. Gadi Mayman:** I believe it's less than \$4 million.

**Mr. Tim Hudak:** Okay. Super. So through you, Chair, if you could get that information to the committee members, I would appreciate it.

The investors, then, are OMERS, Royal Bank, Capital Partners, the Business Development Bank of Canada, Manulife Financial. Do I have that correct?

**Mr. Gadi Mayman:** That's correct.

**Mr. Tim Hudak:** Do you know how much they've expended in the set-up to date?

**Mr. Gadi Mayman:** The first \$90 million comes from the province.

**Mr. Tim Hudak:** Okay. The goal, then, was to get an additional—I think my number's correct here. The goal was to get \$180 million in private sector investment to more than double the province's \$90 million. How much has actually flowed into the fund from the private sector investors to date?

**Mr. Gadi Mayman:** I believe \$135 million to—sorry, \$115 million to add up to the \$205 million.

**Mr. Tim Hudak:** They've flowed the money in?

**Mr. Gadi Mayman:** That money is committed. The same way as our money has not flowed yet either, it's just committed.

**Mr. Tim Hudak:** I want to make sure I'm following correctly. There's a press release that the ministry did—and I do apologize; I didn't check which ministry it was. I don't have who sent it out. There was some coverage—a Globe and Mail article I'm reading from. It says: "The government is injecting \$90 million into the fund and is counting on the private sector" for an additional \$180 million. This is Mr. Wilkinson, so I appreciate, Minister, it's not your ministry. I thought you might have some knowledge of it, however. It says that the four partners have invested a total of \$75 million. Has there been more—

**Hon. Dwight Duncan:** Well, that's increased since then.

**Mr. Tim Hudak:** It's increased since then?

**Hon. Dwight Duncan:** Yes, and our amount is committed; their amount is committed; and the corporation is being structured, the processes around how to administer the funds, and the decision.

I think what's important to remember here is that all the advice we've had—from universities, from business entities, financial institutions—is that Ontario and Canada do not have a good track record on venture capital. After numerous consultations and advice, we've been able to leverage now an additional \$125 million from the private sector, with a goal of \$180 million, which was the original goal, as I recall.

To be more specific—I just had a round table about three weeks ago with a number of firms that rely on venture capital—we are not good at commercializing. We're good at the research portion; we're not good at commercialization. This is designed to help that process along.

The total amount of money is a beginning, in our view, and when we compare ourselves, say, to the United States and other places where there are much larger pools of venture capital available, this is designed as a beginning.

So it takes time to get this set up appropriately. We have participation now from some very large organizations, who are very cost—I might add, particularly in this world, organizations like Manulife—is it OMERS or Teachers?

*Interjection.*

**Hon. Dwight Duncan:** Teachers.

**Mr. Tim Hudak:** No, it's OMERS.

But you know what, Minister? I appreciate your response. So \$125 million has been invested into the fund by the private sector, so there's another—

**Hon. Dwight Duncan:** Committed.

**Mr. Tim Hudak:** Committed, okay, and the goal is \$180 million. My concern is, it's been a year, so there have been expenditures of \$4 million in set-up. Then you have the Ontario Capital Growth Corp. that's going to be created, given that Bill 114 passes. So the OFA has currently been playing that role. How large of a corporation is this going to be? Are we creating a significant bureaucracy to play the province's role?

**Hon. Dwight Duncan:** No. We have partners involved with us who have a real eye to the bottom line, I think. Obviously, Tim, you don't think that this government does, but the partners we have do, and we do. I'll let Gadi respond in more detail to the size and so on.

**Mr. Tim Hudak:** What's the number of employees that will be there at the Ontario—

**Mr. Gadi Mayman:** I don't know. That would be under MRI.

**Mr. Tim Hudak:** In terms of your own department at the OFA, how many folks are currently playing this—

**Mr. Gadi Mayman:** We were just doing it from the resources we already have. There's no new resources that have been dedicated to this.

**Mr. Tim Hudak:** Okay. So again, I guess I wonder, if no new resources are required for the province to manage its funds—its funds are all into the kitty, so to speak—why do you need to create a new corporation and hire more people?

**Hon. Dwight Duncan:** My recollection is—and we'll get you the precise number—there's not going to be a whole lot of employees. It's a couple of people, a small number. But I'm going to have to get back to you on that.

**Mr. Tim Hudak:** Super. Thank you. And Gadi, thank you very much. I appreciate it.

I wanted to follow up on the discussion yesterday with respect to the risks to the contingency fund of some of the collective bargaining agreements currently happening. Some \$187.5 million has been taken from the contingency fund for the first round of bargaining with the teachers' unions. Now, that was with the Catholic teachers? There's still an outstanding agreement, right, with the—

**Hon. Dwight Duncan:** The Elementary Teachers' Federation is still bargaining, correct?

**Mr. Peter Wallace:** That's correct. It reflects the agreements concluded as of the time in which we locked down the numbers for the statement.

**Mr. Tim Hudak:** And to make sure I'm clear, that concludes agreements with which particular bargaining units?

**Mr. Peter Wallace:** I don't know offhand, but it would be the ones that were done at that particular point. So we can certainly get you that information.

**Hon. Dwight Duncan:** I believe it's the Catholic teachers and OSSTF, but let us just double-check.



**Mr. Tim Hudak:** Okay, so the elementary public teachers—

**Mr. Peter Wallace:** Are still outstanding.

**Mr. Tim Hudak:** So if they come in at the same level of agreement as their sister organizations, how much more will you have to go into the contingency fund?

**Hon. Dwight Duncan:** We don't know. We don't know what they're going to resolve at, but suffice to say, we believe we've built in enough in contingency, both in this year and into the out-years that we've already published, to cover those costs. Again, remember, the contingency identifies different types of risks. There's low risk up to high risk.

**Mr. Tim Hudak:** Okay. Let me ask you this, and I'll see if Mr. Whitehead wants to respond. I think he was responding yesterday to the questions. What's the relative size of the elementary public teachers relative to the other two units?

**Mr. Peter Wallace:** It is important in this context to remember that when we deal with the contingency fund, we don't only look at the particular allocation associated with teachers. Remember that in any labour agreement, there are a number of factors. There are productivity aspects to it, there are timing aspects and a variety of other elements. Obviously, we hold the size and rough allocation within the contingency fund very, very close to our chest, simply not to undercut our own BPS partners in their negotiations. That's been the practice for a considerable period of time.

Remember as well, this is an increase to a ministry's allocation. There are a number of factors that influence a ministry's allocation over the course of a year, as well as the specific labour agreements in place. So while we can and do track the notional size of settlements, and how those will not only work in terms of percentage but how that works in terms of the factors of the agreement, the actual draw on a contingency fund will be a function of a wide variety of other factors that are influencing that particular ministry's budget.

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**Mr. Tim Hudak:** Just to ask a simple question, I guess, in terms of the units remaining, so the elementary public teachers: What's the size of their organization compared to those I've already said—the OSSTF, or the Catholic teachers. This is about half of the cost, a third of the cost, the same?

**Mr. Peter Wallace:** That's a question that we will need to look back on and grab the information from the Ministry of Education.

**Mr. Tim Hudak:** I don't know, Minister, Deputy, if you have the expertise in the room, but certainly, it's a concern for my constituents with the state of the markets today.

In terms of the large public sector pension funds, what's the current status of—why don't we start out with HOOPP, given the state of the markets?

**Hon. Dwight Duncan:** With?

**Mr. Tim Hudak:** HOOPP, the hospital fund.

**Hon. Dwight Duncan:** I don't have that information. Is Bob here? What can you provide on that, anything?

What I can tell you is that we have not had representations expressing concern, similar to what you read about in the Globe and Mail, but one needs to assume, given what's going on in markets, that there are some fairly substantial challenges. Bob?

**Mr. Bob Christie:** I'm Bob Christie; I'm the superintendent of financial services. In terms of HOOPP, as you know, plans file their valuations at different times. I don't have with me the last filing that HOOPP did, but it may be somewhat dated as well.

**Mr. Tim Hudak:** Okay, I appreciate that. Do you have any information at hand with respect to any of the major public sector pension funds and how they've been impacted by the markets, whether it's OMERS, HOOPP, teachers, OPTrust?

**Mr. Bob Christie:** In terms of impact of the markets?

**Mr. Tim Hudak:** Yes.

**Mr. Bob Christie:** No, sir. We don't have that information. Of course, that, as you know, changes day to day.

**Hon. Dwight Duncan:** I should also say that none of those major pensions have made any representations to the government formally or informally with respect to concerns, but as Bob points out, they have filings, valuation dates and other factors like that.

**Mr. Tim Hudak:** Okay. Maybe I could ask this through the minister to Mr. Christie. We're back here next Tuesday and Wednesday. If you were able to check on this, this is obviously an issue that's going to concern a lot of constituents, members of the committee, members of my family, who would like to know the status of those pensions given the recent market losses that we've seen on the TSX—those large ones that I mentioned: teachers, OMERS, HOOPP and OPTrust.

I would ask, too—I think I've got about a minute or so left.

**The Acting Chair (Mr. Bob Delaney):** You've got exactly two.

**Mr. Tim Hudak:** Two—through you, Minister and/or Mr. Christie, on the auto insurance review: There was an expectation that we'd be hearing your report relatively shortly. When do you anticipate—I apologize; you already have. Have you given the minister your report on—

**Mr. Bob Christie:** No, I have not.

**Mr. Tim Hudak:** When do you anticipate that will be tabled?

**Mr. Bob Christie:** We expect and hope to do that before the end of the year.

**Mr. Tim Hudak:** Minister, do you plan on making that public?

**Hon. Dwight Duncan:** To the extent that I'm able to. I haven't done that before. Let me ask what the process is. Bob?

**Mr. Bob Christie:** This is the first of these reviews, Minister, so this will set the precedent. I don't think that there's any prohibition against it.

**Mr. Tim Hudak:** I don't see anything wrong with it.

**Hon. Dwight Duncan:** It is the first time. We like to operate with an eye to openness and transparency, subject to the opportunity to talk to the various stakeholders involved. I'd like to be in a position to make that public, yes.

**Mr. Tim Hudak:** Minister, do you have a time frame in terms of when you plan to bring legislation before the assembly in response to the auto insurance review?

**Hon. Dwight Duncan:** No, I don't.

**Mr. Tim Hudak:** In terms of the recent filings on auto insurance, Mr. Christie, what's the pattern that we've seen in the past month or so?

**Mr. Bob Christie:** We've been seeing a pretty consistent pattern. Because they're still under review, I'm not really in a position to talk about the most recent ones, but through the first nine months of the year, we have seen—and I think the information's on our website, but as a first-order approximation—that rates are increasing at roughly 1% per quarter.

**Mr. Tim Hudak:** In the first nine months of this year?

**Mr. Bob Christie:** The first nine months.

**Mr. Tim Hudak:** Some of the insurance companies have taken a hit on their investments in the current stock markets. Do you anticipate that they'll have an impact on auto filings in the future?

**Hon. Dwight Duncan:** I'll begin at a high level. I've stayed in touch with some of the largest P and C insurers. To this point in time, they haven't expressed what I would call any real angst beyond normal profits and loss. As I say, we have stayed in fairly close contact with them as all of the situations in the financial markets have unfolded. I'll just share that with you, and then Bob, you can—

**The Acting Chair (Mr. Bob Delaney):** I'm going to have to stop you. We're out of time on this rotation. Mr. Prue.

**Mr. Michael Prue:** This is a different topic; at least I think it's a different topic, because I've had to duck out a couple of times. It relates to Ontario Buys. According to the Ministry of Finance, Ontario Buys is a program that works with the broader public sector, such as hospitals, to reduce costs in the back offices and streamline the supply chains. Are there procurement guidelines in place through Ontario Buys and other government procurement programs to ensure that, to the degree possible, the public sector purchases products made in Ontario? In other words, is there a requirement that Ontario Buys buys Ontario?

**Hon. Dwight Duncan:** Deputy, did you want to—

**Mr. Peter Wallace:** We'll ask Dan Wright.

**Mr. Dan Wright:** Dan Wright, assistant deputy minister, BPS supply chain secretariat.

Thank you for the question. Currently, the answer is that there's a general requirement for value for money in how the BPS spends its funds, but currently, to my knowledge at least, and I guess I'm the person who's supposed to know, there's no specific requirement to buy Ontario.

**Mr. Michael Prue:** Has there ever been a requirement? I was not in the provincial government a number of years ago, but when I started municipally back in the borough of East York, and the municipality of Metropolitan Toronto, and later the city of Toronto, each one of those governments had a buy-local policy where we attempted—and I've belonged to all three over a number of years—to procure, wherever possible, goods and services made in East York, or later in Metropolitan Toronto, or Toronto, or Ontario, provided that they were cost-competitive within 10%. So we would buy goods made locally, provided that they weren't way over budget. Has there ever been such a policy in Ontario?

**Mr. Dan Wright:** I'm going to answer based on what I know, and I'm going to be careful here. I've been in my current position for three years, so my knowledge of the space would go back to January 2006.

To qualify my earlier response a little bit, our particular focus as a program is health care and education—school boards, colleges and universities. We are just starting to get to know the municipal space, so I should be clear that when I gave my answer earlier on, it didn't refer to the municipalities.

Your question specifically, as I understood it, was whether there are Ontario government rules. I'm not aware of Ontario government rules. Municipalities may have their own rules.

**Mr. Michael Prue:** I grant that. I'm just giving that as an example. Other levels of government have had those kinds of ideas for a number of years. Are you saying that Ontario has never had them?

**Mr. Peter Wallace:** I can answer the question. In the early 1980s—and I apologize for not knowing the date at which the formal policy was abandoned and under which government—there was, I believe, a 10% Ontario preference associated with a narrow range of expenditures associated with only the government of Ontario, and within the then Ministry of Industry and Tourism and later the Ministry of Industry and Trade there was a small secretariat whose function was to look at the procurement footprint of the government of Ontario. To the best of my recollection—and you'll understand that my recollection is a little hazy on this—that was not extended to colleges, universities, hospitals, municipalities or other areas. It was concerned primarily with a number of areas in which, frankly, we've greatly reduced our fiscal footprint. It was primarily looking at paper and a number of issues associated with that. It did not apply at the time, for example, to IT.

**Mr. Michael Prue:** But if we were, as a government, to adopt that policy and perhaps extend it to the MUSH sector—the municipalities, universities, schools, hospitals—the expenditures there, to my mind, would be about \$60 billion or \$70 billion a year. Is that how much that sector spends?

**Hon. Dwight Duncan:** The entire provincial budget is just a shade under \$100 billion, and 85% of that goes to our MUSH sector.



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**Mr. Michael Prue:** Okay.

**Hon. Dwight Duncan:** If I may, though, 85% of that is wages and benefits. So I think your figure is probably high.

**Mr. Michael Prue:** Okay. All right.

**Hon. Dwight Duncan:** Before your next question, Michael, if I may, just to respond a little bit: I have asked my staff to have a look at those procurement things. I'm also looking at, quite apart from whether there's a rule in place, how much do we actually procure locally; are we having success? Do local businesses have the opportunity to access government contracts? It is an enormously complex field, but I think the issue you're raising is worthy of looking at. I'm curious to know currently, of all the things the government purchases through its normal procurement functions, what percentage of that would accrue to Ontario businesses. My staff are working on that and hopefully we'll have an answer for you on that question fairly shortly.

**Mr. Michael Prue:** All right. Just so I can encapsulate this, there was a policy at some time in the 1980s but it was subsequently abandoned; we're not sure when—you can, I assume, find that out for me—and that at this time the government is looking at how much the MUSH sector is spending, exclusive of wages—I'm sorry; I was just trying to think on my feet here—

**Hon. Dwight Duncan:** I understand.

**Mr. Michael Prue:**—of the money. But obviously it would be in the billions of dollars in procurement, everything from textbooks to hospital supplies to rubber gloves to whatever. You name it; it would be a lot.

**Hon. Dwight Duncan:** The other thing to bear in mind too is drugs, and they would constitute, I assume, a fairly substantial purchase and they may not be available here. It's an enormously complex field, but you raise some valid questions. We'll certainly respond to the best of our ability.

**Mr. Michael Prue:** Has there been any call, other than my asking the question today, and I guess some of the things that have happened in the Legislature, from the manufacturing sector to have such a policy—I know that a policy that exists in many jurisdictions outside of Canada, a few in Canada—that we shop locally?

**Hon. Dwight Duncan:** No. In fact, some manufacturers are a little concerned that if we practise that type of policy, the product they export to places as divergent as Manitoba and Quebec and the US—that might cause them grief elsewhere. I personally have had no representations to the effect that you've asked. I quite often do get businesses, smaller businesses particularly, that will ask about how they get on to—what do you call that?—the preferred suppliers list, because they have to qualify. So I do get that a lot, but I've not had representations to me directly on the other side. I should tell you that I have had in the past others who have expressed concern that if we do that sort of thing, especially when they export—whether it's out of the country, other jurisdictions, other

provinces—if we were to pursue a policy like that, we'd have to be cognizant of that impact.

**Mr. Michael Prue:** The other day my colleagues—not my colleagues; my friends—in the Conservative Party raised the issue of sweater sales. I believe it was the RCMP or some level of police—

**Mr. Tim Hudak:** The OPP?

**Hon. Dwight Duncan:** I think it was correctional services.

**Mr. Michael Prue:**—Correctional services being contracted and given to Mexico as opposed to a supplier in Guelph. I stood, that same day, in the Legislature and talked about a very successful knitting mill in the former East York, although not in my riding now—it's in Don Valley West—called Dorothea Knitting Mills, which did a great deal of trade with the Americans but cannot do so anymore under the Sarbanes-Oxley Act. The United States says that all military equipment must be produced in the United States. I just give that as a couple of examples. If other jurisdictions are doing it, why do you think there will be a backlash against Canada? Obviously, other jurisdictions have acts in place that protect domestic supply.

**Hon. Dwight Duncan:** One of the biggest concerns that's been relayed to me, as finance minister and as a member of this government, is what a number of large manufacturers have called the “thickening of the border.” I can't answer for what the Americans are doing, but I can tell you about the angst that I have come across with respect to our ability to move goods into the United States. For a whole variety of reasons, there's great concern about that.

We are a trading people in Ontario. Large portions of our economy sell outside of the jurisdiction, so we have to be cautious in our approach, recognizing, in my view, and I don't disagree with you, that there are positive benefits to our trying to do business locally, just like we're encouraging our people to buy produce locally for a whole variety of good reasons.

Dan, can you add anything specifically to the question that was raised in the Legislature about those jackets?

**Mr. Dan Wright:** No, I'm sorry. Our focus is broader public sector procurement, and that sounds like that was an internal to government—

**Hon. Dwight Duncan:** That would have been the Ministry of Government Services, I suspect?

**Mr. Dan Wright:** Yes.

**Mr. Michael Prue:** Just in that same vein, and I guess to conclude, and I don't think you'll have the answer today, but if you could provide that for me later: What is the total value of government and broader public sector procurement? Can you separate that into goods and services for the procurement of goods, everything from MRI equipment to latex gloves? What is your best estimate of the percentage of that procurement from Ontario suppliers? I'm just trying to find out if we buy, say, just off the top of my head, \$10 billion worth of supplies a year, how much of that \$10 billion comes from Ontario suppliers and how much comes, I guess after

that, from Canada, and how much of it comes from abroad, if you can provide that?

**Mr. Dan Wright:** Right. We can certainly give you the first number. As the minister indicated, we've been asked to work on the second number to get better visibility to that.

**Mr. Michael Prue:** All right. I thank you, then. How much time is left?

*Interjection.*

**Mr. Michael Prue:** Oh, my God, I still have eight minutes. All right.

**Hon. Dwight Duncan:** We can take a break.

**Mr. Michael Prue:** Let's go to the next question I have, and that is year-end grants. The province has relied substantially on what you now refer to as fourth quarter investments. Dollars were sent out quickly before year-end so that they could be accounted during the fiscal year; this happened, I think, much to the last government's chagrin, before the election, around then-Minister Colle. Would you say, given today's economic conditions, that we will or will not have fourth quarter grants?

**Hon. Dwight Duncan:** First of all, a couple of things: The Provincial Auditor made a number of recommendations on that, and I believe they've all been implemented in their entirety. That was the other reason we set up the Investing in Ontario Act, so that there would be a clearly defined process for those unanticipated year-end monies. One of the alternatives, obviously, is that we could have chosen just to do all the auditor's recommendations, and then apply any unanticipated surplus to the provincial debt, or do what we chose to do instead, and that was to allocate a portion of the debt, and then any amount above that to a specified recipient as approved by the Legislative Assembly. With respect to this year, I don't anticipate that we will be in that position.

**Mr. Michael Prue:** In the year 2007-08 the government, much in advance, signalled an indication that the monies would go to municipalities. And indeed, \$1.1 billion, I understand—

**Hon. Dwight Duncan:** Some \$1.1 billion.

**Mr. Michael Prue:** —is flowing to municipalities.

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** So you were very clear, when the bill was passed, that in the first year the money would go to municipalities and that each subsequent year another group, possibly municipalities, possibly someone else, would be chosen. I realize there may not be any money, but have you chosen the group for this year?

**Hon. Dwight Duncan:** No, we haven't. Again, I would venture to say that I doubt very much—and remember, the way the legislation is structured, because of the costs associated with the money going out: any amount over \$800 million, and we had chosen the \$600 million. Anything under \$200 million means that, depending on what you choose or how you choose to flow those funds—it would be very small amounts. So you had that gap between the first \$600 million, which we chose to apply to the debt, versus an amount that below

which really would not make a difference to a whole lot of people. That gave rise to that.

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The other thing that we chose was that these kinds of investments, obviously, are one-time in nature. The organizations we flow them to are not consolidated under the province's books. If you do that, if you flow it to someone who's consolidated—it would run down the surplus or run up the deficit, if they're consolidated into our books. But I don't anticipate, right at the moment, that we will be in a position next year to be doing that.

**Mr. Michael Prue:** Is there any plan in the upcoming budget, 2009-10, for earmarking a possible successor group, if there are funds left? I'm just trying to anticipate, not that you would know how much money there is, because you never would know until year-end, but it seems to me that a great many groups looked upon that bill that if there was money left over they would want to know whether they were going to be the possible beneficiaries. This year, you've not indicated any, and I understand the reason why. In the next budget, will you be indicating a group, whether it be schools or hospitals, or municipalities or—

**Hon. Dwight Duncan:** It may not be in the budget. I believe we can do that by regulation. I stand to be corrected, but I believe we do that by regulation, so it may or may not be in the budget.

We would clearly signal it, yes. At or around the time of the budget—I'm not sure. Remember, we wouldn't be in a position to know until the auditor signs off on public accounts, which would likely happen towards the beginning of August or mid-August of next year. So clearly, we would signal, but I can say right at the moment that my anticipation is that there won't be a surplus.

**The Acting Chair (Mr. Bob Delaney):** This is your two-minute warning.

**Mr. Michael Prue:** My next question is a rather long one. I think my next questions are going to take some time, so I will pass at this point, and I'll take it up when it comes back to me.

**The Acting Chair (Mr. Bob Delaney):** Okay. Mrs. Mangat.

**Mrs. Amrit Mangat:** Minister, I'm really delighted to share with all of you that the riding I'm representing has different types of businesses. Some produce solar panels, some produce airplane landing gear bushings, some are in information and technology, and others are pharmaceutical firms. I'm really delighted to share with all of you that while other parts in the manufacturing sector are facing crisis, these industries are doing really well.

Whenever I get a chance to meet them or they come to my community office, they always talk about this harmonization of corporate income tax collections. They say that it will reduce the cost and their paperwork, and they can use that time for certain other things in the expansion of their businesses.

Can you throw light on how it would help them if there is a harmonization of corporate income tax collection? They also know that our government has made a



move with the Canada Revenue Agency. How would it help them?

**Hon. Dwight Duncan:** We have, in fact, harmonized the collection of corporate taxes. I think this coming year is the first year that it's being administered. The Canada Revenue Agency will administer it. The estimates that we've been provided with are that this initiative will save \$90 million a year for businesses—that's the aggregate, obviously—and up to \$100 million per year in administrative and compliance costs.

This was something that was advocated by the business community—large business, small business. We moved to do it. It is, I think, the first step in the process that the Premier has been moving forward on in terms of reducing the regulatory burden of business. It's a very substantial step. It's enormously significant to all businesses and, as I say, we can put a dollar estimate to it. It was an enormously complex undertaking that, candidly, took the government somewhat longer than I think any of us had anticipated due to the differing natures of the federal corporate tax base and the Ontario corporate tax base. We were able to work with two different governments. Both governments were very co-operative in moving forward on it and we were able to do that. I think this year coming will be the first year that the harmonized collection actually happens.

**Mrs. Amrit Mangat:** So would it impact retroactively?

**Hon. Dwight Duncan:** I'm sorry?

**Mrs. Amrit Mangat:** Retroactively—it would start from the past years?

**Hon. Dwight Duncan:** No, it's just for this coming year.

**Mrs. Amrit Mangat:** Which year would it be?

**Hon. Dwight Duncan:** This coming year, 2009.

**Mrs. Amrit Mangat:** 2008-09? Or will it start in 2009?

**Hon. Dwight Duncan:** I think 2008-09, Steve? Or is it 2009-10?

**Mr. Steve Orsini:** The taxation years ending after 2008.

**Mrs. Amrit Mangat:** Then we can say it's from 2009-10, right?

**Mr. Steve Orsini:** That's correct.

**Mrs. Amrit Mangat:** My next question is about—as we know, we are going through challenging times. All of us know. Ontarians have always been good Confederation members, sending more to Ottawa than what we have been receiving, which is always less in transfer payments.

Let's take health: The federal government has recognized in their 2007 budget the inequity, but they said that they will not address this issue until 2014. That means my constituents have to wait another six years for more nurses, more doctors and service improvements, right?

**Hon. Dwight Duncan:** That's correct.

**Mrs. Amrit Mangat:** Similarly in employment benefits?

**Hon. Dwight Duncan:** Yes.

**Mrs. Amrit Mangat:** They are not treating us fairly. I will say it. Ontarians are not being treated fairly.

Ontarians have never raised these questions. They have always moved along, but now we are at a crunch time. We are going through different and extraordinary circumstances. That's why every Ontarian and lots of my constituents have asked me these questions: Why are we paid less whereas in other provinces the money is released right away? Why is the money not released right away to Ontario? Why doesn't the federal government do more to help Ontarians through these challenging times? What can they do and why are they not doing it?

**Hon. Dwight Duncan:** I think first of all, in fairness, Amrit, we have to acknowledge that it was, in fact, four governments of three political stripes, starting with the NDP government in the early 1990s, that began to speak quite loudly about the challenges that Ontario was faced with. Premier Harris's government member, Mr. Hudak, was one of the most eloquent critics of federal inaction in Ontario over the course of the Harris and Eves administrations. I do want to say, in fairness, I think all political parties in Ontario have acknowledged that.

There are a number of factors that have led to the situation that evolved in the early 1990s where it really started to be evident, everything from the impact free trade had on the east-west flow of goods and the traditional Canadian trade-off for protected markets and so on, through to a whole range of other things.

The four issues that the Premier has identified, and you have cited two of them—first of all, employment insurance. An unemployed worker in Ontario on average will receive \$4,600 a year less in benefits than an unemployed person in other regions or parts of the country. We think that's wrong. We think that, as governments in the past have done, they have to look at the regulations around employment insurance. What constitutes ability to qualify and so on? For instance, in my community of Windsor, we have the highest unemployment rate in the country, yet an unemployed person in my community will receive less money than in many other parts of the country where, in fact, the economy has not felt the same impacts as Windsor has. So that's first.

You referenced Canada health transfers. Those are over \$700 million per year less than other provinces. The federal government, to their credit, have acknowledged it. They're not denying that. They're not suggesting for a moment that it's not there, that that inequity does not exist. They acknowledge it and they've agreed to begin dealing with it in 2014. We think they should be dealing with it immediately and that it should be a priority. It would make it easier for the government of Ontario to enhance spending on health care, to provide other health services which would possibly free up money to do other things. Again, they have acknowledged it, and we have to acknowledge that and give them credit for acknowledging that, but we don't think it's acceptable that they should wait until 2014 before they begin to address it.

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Economic development: Some regions have federal ministers dedicated to regional economic development

initiatives in their area. The only part of the country that does not have that is southern Ontario. We do have a very small portion in northern Ontario, something called FedNor, and a minister gets responsibility for that. But, again, the southwestern Ontario and southern Ontario parts of the country, where so many millions of people live, such a huge portion of the Canadian population, is arguably struggling—certainly a number of sectors are struggling—and we think the federal government should have a regional development strategy for southern Ontario as well. Obviously, we would participate in that. We have something to do with that and we would welcome a partnership with the federal government. It's even more urgent today in your community, with Chrysler and the Brampton plant. It's even more urgent, given what's going on, that we have a federal partner that steps up to the plate, takes a leadership role, as the federal government has done over the course of the last 40 to 50 years, particularly in the automotive sector. So that's another one.

**Infrastructure:** When looking at even the Building Canada money, we are still receiving about \$970 million less than we should be, were we getting funding equal to what other provinces get. We signed an agreement. We're happy to do that to get the projects moving along and to get the money into Ontario communities, recognizing the state of the economy. But the advice I would offer the federal government is that they should be doing more for Ontario on the infrastructure file as well. That position has been advocated, by the way, by our municipal partners and others that we've worked with. I know Minister Watson today indicated that later this week he will be announcing the results of our provincial-municipal service delivery review.

Finally, the Toronto-Dominion Bank report dated September 29, 2008, in terms of the overall outflow of money versus what comes back to Ontario, pegged what they term the discrimination figure at about \$11.8 billion. That would represent more than 10% of our revenues. It would represent a little more than 10% of expenditure. It's a small portion of Ontario's GDP, but it's still a significant amount of money.

We will continue to try to build those partnerships. As a first order of business, we really think it's unacceptable for the federal government, particularly the federal finance minister, to suggest or otherwise say that Ontario is a bad place to invest; it's not at all. Ontario is still a very good place to invest. I think we're not hearing that so much any more, especially now that it looks like the federal government and other parts of the country are facing the kinds of economic challenges that we are, probably even more pronounced, given the boom-bust nature of the economies particularly in the commodities sector, and so on.

You raise a very valid point. Those are the points that we have raised with the federal government through our fairness campaign during the last federal election. Again, I applaud our friends in the other political parties who have endorsed resolutions of the House. Their governments, when they were part of the government of On-

tario, both took positions very similar to the ones we have. They identified certain other things, but I think this relationship between the federal government and the people of Ontario—not the government of Ontario, the people of Ontario—is extremely important.

**Mrs. Amrit Mangat:** As you have said, we are going through very challenging times, and the economy is very volatile. Why do you continue to push for a common securities regulator? I understand that other provinces are not in favour of this. How would it help Ontario?

**Hon. Dwight Duncan:** The Ontario Securities Commission regulates our capital markets in Ontario. Quebec has its own; other provinces have their own. We have, I think, 14 of them in Canada today. That, according to the folks who are in the capital markets, is unacceptable.

The other provinces have developed something called a passport system, which they believe achieves the goals that we and the federal government see as being important to the international marketplace. For instance, I think we're the only country with that kind of a—and it has a lot of historical roots in Canada, obviously. But the passport system does not make our regulatory system understandable to foreign investors. It's a very difficult, cumbersome system. We don't think it works.

This is an area where Ontario and the federal government are working together. We have the same position; we believe in a single, common securities regulator. We believe that one set of rules for the whole country is appropriate. We believe that will give a better flow of capital between Ontario and, in the broader case, Canada, and will give investors greater confidence in our ability to regulate our securities markets. So we continue to support a common securities regulator.

The federal government has a committee headed up by Tom Hockin right now that is scheduled to report to the federal finance minister, I believe, in December. We will look forward to his recommendations. We want to see what they are, obviously, before we can endorse them in their entirety.

I am more convinced than ever, as a result of recent events in world markets and the whole regulatory climate, that a common securities regulator is absolutely essential. You're seeing a movement led by President Sarkozy now around banks and common regulations, not only on a national basis but on an international basis. I just think that the time has come.

I applaud Minister Flaherty for the leadership he's taken on this issue. It's not an easy issue for a federal government to deal with. Quebec, obviously, has a very different point of view about these matters, as do some of the other provinces.

The passport system was designed to try to provide the benefits of a common regulator without having one. Frankly, I don't think it works. I think, in the current world climate, more than ever we need to move to a common securities regulator. I remind you: More than 70% of those capital markets are based here in Ontario, work through the Ontario Securities Commission—so we



are in an equal place in the passport system with Iqaluit. So, quite apart from the obvious efficiencies and benefits that have been well identified, it just doesn't make any sense for Ontario to allow the regulation of our capital markets to be so influenced by other jurisdictions.

**Mrs. Amrit Mangat:** Is there any timeline set for when you think we can achieve this goal?

**Hon. Dwight Duncan:** As soon as possible—but again, it's the old dilemma that Canadians have always been faced with. I think we are going to have to bring this to a head. The federal government will likely have to move. As a matter of fact, I'm going to be meeting with Mr. Hockin in the none-too-distant future to see where that panel is moving to. At some point, the federal government will probably have to act unilaterally. Depending on what the specific recommendations are and depending on what the specific legislative undertakings are, Ontario would likely support that, contingent that there's nothing in it that would prejudice Ontario in any way, shape or form. And we would likely support the federal government in defending any court action that might arise from one or any group of other provinces.

Particularly now, in light of all that has gone on in financial markets in the last eight to 10 weeks, I think it's absolutely more imperative than ever that we move on this, and move quickly.

**Mrs. Amrit Mangat:** Minister, do you have any information that that panel has consulted all the provinces? Is the consultation process over or is it still going on?

**Hon. Dwight Duncan:** My recollection is that the consultations are ongoing. They have been in fairly constant communication with the Ontario Securities Commission and others who have done work for us, including Purdy Crawford and others. I have not spoken with Mr. Hockin personally, but we are in the process of arranging that.

We just want to make sure that their recommendations—and I imagine they will likely recommend a legislative framework. Provided that there is nothing in it that does harm to Ontario, my hope is that we will be able to find our way to support it. So I'm looking forward to a briefing from Mr. Hockin and then his final report, and then of course the federal government's response to that report and whatever legislation they will bring forward.

**Mrs. Amrit Mangat:** Thank you, Minister.

**The Acting Speaker (Mr. Bob Delaney):** Mr. Flynn, if you can do it in a minute and a half, it's all yours.

**Mr. Kevin Daniel Flynn:** Yes, I can, I think. Very quickly—a short question, a short answer. Turmoil in the markets has probably got us all thinking about our senior years and retirement, RRSPs and investments. Some people in our society have already reached that level; they're in their senior years, they're on a low or fixed income. What specifically can you do for those people?

**Hon. Dwight Duncan:** Well, there is a range of things we have available. We're doing the seniors' property tax grant, which will begin next year—\$250 next year, rising to \$500. We already have a property tax credit in there for seniors. We have a number of programs and services, particularly—and the things I hear and I'm sure you do, Kevin, in your constituency, are things like home care, the aging at home strategy. There's a range of programs and services that are available to Ontarians that we endeavour to provide more of and in a better way. So we'll continue to make those investments. That's why we've chosen a modest, manageable deficit for this year, so that we can continue to offer at least what we are offering now. As I say, we're going to continue moving along with the property tax credit for seniors. It starts next year. It will start at \$250, rising to \$500, and that will help seniors. We'll continue to work with organizations as diverse as CARP and others around the issues of concern to seniors.

**The Acting Chair (Mr. Bob Delaney):** On that punctual note, you have exactly hit the end of your time, and we thank you.

Just to confirm, Mr. Hudak, you would like to have a full block of 20 minutes and not six now and 14 when we resume, right?

**Mr. Tim Hudak:** Yes, I prefer to do the full blocks.

**The Acting Chair (Mr. Bob Delaney):** Okay. Then, committee, we are adjourned for today. We will reconvene on Tuesday the 4th at 9 o'clock and at 4 o'clock, followed by Wednesday the 5th at 4 o'clock. The usual committee subpoenas will be delivered to you by the pages. Adjourned.

*The committee adjourned at 1751.*

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#### **Staff / Personnel**

Mr. Ray McLellan, research officer  
Research and Information Services



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## Legislative Assembly of Ontario

First Session, 39<sup>th</sup> Parliament

# Official Report of Debates (Hansard)

Tuesday 4 November 2008

## Standing Committee on Estimates

Ministry of Finance

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Journal des débats (Hansard)

Mardi 4 novembre 2008

## Comité permanent des budgets des dépenses

Ministère des Finances

Président : Tim Hudak  
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Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 4 November 2008

Mardi 4 novembre 2008

*The committee met at 0900 in room 151.*

## MINISTRY OF FINANCE

**The Vice-Chair (Mr. Garfield Dunlop):** Good morning, everyone, and welcome to the Standing Committee on Estimates. I'd like to welcome the Minister of Finance and all the staff from the ministry here this morning as well. We're here to resume the consideration of the estimates for the Ministry of Finance, vote 1201.

There is a total of six hours and 29 minutes remaining. When the committee was adjourned, the government had completed its 20-minute rotation. It's now the turn of the official opposition. I should tell everyone and remind them that I understand there could be a vote almost immediately here this morning, so we may have to recess if we hear the bells ring or if we get called to the House. With that in mind, I'll now turn it over to the official opposition. Mr. Hudak.

**Mr. Tim Hudak:** Minister and Deputy, welcome back and thanks again for being here at the estimates committee.

I want to ask the minister some questions about credit unions. It was approximately a year ago that the province's Credit Unions and Caisses Populaires Act was passed—May 10, 2007, so more than a year ago. We're still waiting for regulations, Minister. When will those regulations be brought forward?

**Hon. Dwight Duncan:** I'm going to have to get back to you on that, Tim. We are consulting with the industry. Allow me to get back to you.

Pat, do you have a better sense of the consultations?

**Mr. Pat Deutscher:** Sure. I'm Pat Deutscher. I'm ADM of the office of economic policy. Essentially, we are working apace with the industry on the regulations. There have been ongoing consultations with them. I really can't say more than that we are getting quite close to being able to present a full set of the regulations.

**Mr. Tim Hudak:** Are there draft regulations out for consultation, or what stage are you in?

**Mr. Pat Deutscher:** We haven't published draft regulations yet, formally, to put out for public consultations, but we've been sharing and working with the industry specifically on their interests and needs. To some extent, certainly, because of the changing environment in financial markets right now, the changes and the issues we've seen in the financial world have led us to need to look

closely at the regulations as we develop them even more closely.

**Mr. Tim Hudak:** Let me just make sure I'm clear. Have you brought forward suggestions for regulations with the credit unions and the caisses populaires? What have they seen, actually, from the ministry since the legislation passed in May 2007?

**Mr. Pat Deutscher:** They have seen not formally approved draft copies of regulations that would put into effect the legislation. We haven't published an official consultation draft of the regulations.

**Mr. Tim Hudak:** Okay. Minister, back to yourself: Is there a plan to try to expedite this process?

**Hon. Dwight Duncan:** We're going to continue the dialogue. I've been in touch with the credit unions, as has our government, over the course of the last few weeks. We also, in our work with the federal Department of Finance, over the last few weeks satisfied ourselves that the financial sector, the banks and credit unions, are well capitalized and well regulated at this point in time.

**Mr. Tim Hudak:** Just on that theme, Minister, on October 20, the Council of the Federation issued a press release that said, among other things, "Our financial sector, banks and credit unions are well capitalized and well regulated." The release also stated that Premiers agreed to seven steps to combat the challenging economic times. Step seven said, "Premiers will ensure the continued strength of credit unions across Canada."

So since October 20, what has transpired without Dalton McGuinty's—

**Hon. Dwight Duncan:** We've been in constant contact with the credit unions through DICO and we'll continue to maintain that. We're satisfied at the moment that, as the Council of the Federation indicated, they're well regulated. In spite of the fact that we're consulting on new regs, there are existing regs, and we're quite satisfied at the moment that our credit unions are in reasonably good shape.

**Mr. Tim Hudak:** When I read that, and Premier McGuinty, of course, signatory to that October 20 release—so help me understand: Are there more plans that the ministry has post the Premier's commitment of October 20, or are you simply saying that the existing legislation regulations have gone far enough?

**Hon. Dwight Duncan:** We are consulting on new regs under the new act. As you know, we moved well in advance of this to pass the new act. We got consensus

within the industry around the act. We're now continuing to consult with the industry. We're in constant contact, through DICO, with them and through the ministry. I've been in touch myself over the last few weeks, especially after the situation that started to unfold in international financial markets, and we will continue to monitor it. We are in a position to respond quickly in the event that there should be challenges.

**Mr. Tim Hudak:** Okay. I just wanted to make sure I'm clear. So in addition to the legislation and the regulations that hopefully will come forward soon from legislation, are there additional steps planned by the ministry?

**Hon. Dwight Duncan:** We will continue to be in close contact with them through DICO, through the regulator.

**Mr. Tim Hudak:** Let me give you one suggestion. Minister, as you know, on October 22, Premier Gordon Campbell, of British Columbia, released a 10-point plan to boost productivity and to support families and seniors in that province. One of his initiatives of the 10-point plan was, in Premier Campbell's words, "Unlimited deposit insurance for deposits to credit unions, effective immediately." I think, as you know, this will bring BC in line with Alberta, Saskatchewan, Manitoba, PEI and New Brunswick. Nova Scotia and Newfoundland, while they don't do full guarantees, do \$250,000. Ontario only covers \$100,000, so we'd be at the back of the pack in terms of that type of initiative. Are you contemplating upping Ontario's coverage of deposits?

**Hon. Dwight Duncan:** The federal finance minister, Mr. Flaherty, has asked us not to do that. The \$100,000 limit equals that of the banks and there's a concern, first of all, that that's viewed to be appropriate at this point in time. But as recently as yesterday Mr. Flaherty asked us not to do that because of the perceptions it could create. There's a view that the \$100,000 limit is appropriate at this point in time and the federal minister—and I concur with him that, when you start doing these things, it could create movements that aren't necessarily helpful to consumers.

**Mr. Tim Hudak:** Did the BC finance minister react to that? Because clearly BC—

**Hon. Dwight Duncan:** No, he didn't, interestingly enough, and I'm not going to comment on British Columbia. We've deemed that the \$100,000 limit, given that it's the same as we have for our banks, and given that we believe our credit unions are well capitalized, is appropriate. I concurred with Mr. Flaherty on his analysis of that. We talked about this shortly after all of the circumstances started to happen, and not only Mr. Flaherty but a number of other financial institutions asked that we use great caution in those areas.

**Mr. Tim Hudak:** To make sure I'm clear, Minister Flaherty asked everybody to sort of freeze in place? He didn't ask the other provinces to reduce their guarantee?

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**Hon. Dwight Duncan:** No, he did not. He just asked us not to move in that direction.

**Mr. Tim Hudak:** And do you see this as a temporary freeze, then, Minister, or is it something in the government's long-term plans?

**Hon. Dwight Duncan:** It's not a freeze. It's been ongoing and it's deemed to be the appropriate amount for Ontario. It's the same as the coverage for banks, so I wouldn't characterize it as a freeze. We concur with the federal government's point of view. They've asked us specifically not to do this. I don't know why Premier Campbell responded the way he did; I can't comment on the British Columbia situation, but I can tell you that we concur with the federal point of view on this matter.

**Mr. Tim Hudak:** I think BC is responding to the same things that the Americans responded to by increasing the coverage of deposits.

**Hon. Dwight Duncan:** I'll remind you that our banks aren't in the same situation, nor our credit unions, as those in the United States, and I'd be careful not to draw those parallels.

**Mr. Tim Hudak:** So the bottom line is, the Ministry of Finance is not contemplating changing that \$100,000 limit at this point in time?

**Hon. Dwight Duncan:** We believe it's appropriate, given the stability that exists there at the moment.

**Mr. Tim Hudak:** Okay. Minister, your economic statement of two weeks ago did not include any medium-term outlook tables. When I review previous documents that you brought forward, or your predecessor, Minister Sorbara, every year the medium-term outlook was included in the papers. This helps us to contemplate what future revenues and expenses will look like, in the minister's best estimation. When will we see those medium-term outlook tables?

**Hon. Dwight Duncan:** In the budget, in March.

**Mr. Tim Hudak:** So why did you choose, then, to run against what you yourself had previously done, and Minister Sorbara, by excluding those from your economic outlook?

**Hon. Dwight Duncan:** As I pointed out in the statement, and I'll point out what virtually all—we've consulted about 12 or 13 leading economists. Making projections right now is just enormously difficult and really not particularly meaningful at this point. We did put out projections in the last budget; we've indicated that those projections are likely going to change. The actuals will change from those projections, and in the next budget we'll be in a better position, I hope, to provide more meaningful data going forward.

**Mr. Tim Hudak:** So we'll be waiting another six months before we'll see your expectations of revenues or expenses for the future fiscal year?

**Hon. Dwight Duncan:** You'll wait until the next budget, yes. You can consult the same economists we have and they'll give you the same kind of cautionary note. We take their advice seriously. I think Mr. Porter of the Bank of Montreal, for instance, said that trying to make projections in the current economy is akin to trying to assess the value of your house when the kitchen's on fire. The University of Toronto put out a press release—



I'm paraphrasing—basically saying it's crazy to try to make projections. We pointed that out in the statement; we pointed out that we deliberately decided not to do that because of the uncertainty and because of the questions and, of course, in the budget we are required to put out two years forward.

**Mr. Tim Hudak:** TD Economics did make a projection; right? They said that there could be up to a \$5-billion-or-so deficit in the province of Ontario.

**Hon. Dwight Duncan:** I think \$4.3 billion for us and \$10 billion for the federal government. Again, as Mr. Flaherty said, and I agree with him, and Prime Minister Harper said, that's very speculative at this point. I thought the Prime Minister's response was particularly well-informed.

**Mr. Tim Hudak:** So despite the history of putting medium-term outlooks in the economic update, sort of, "Halfway through the year, here's what we're looking at for the next fiscal year," you have no intention whatsoever of putting out those medium-term outlooks.

**Hon. Dwight Duncan:** That's right. Again, I just want to stress—and we pointed it out in the statement itself and in what I said in the House—as the Prime Minister said about next year, that it's purely speculative. So even in the best of times these things are difficult, and frankly, we took the advice of the economists we talked to and the experience of other jurisdictions, including the federal government, and decided, because of the highly speculative nature of any projections right now, that it was better to wait until the budget.

**Mr. Tim Hudak:** This is rather unprecedented, though, not to put out projections of—

**Hon. Dwight Duncan:** It is. We're in a very unprecedented time—very unprecedented. To hear the Bank of Montreal, TD and others talk about the inability to project even six months out, it is unprecedented, absolutely. What we're seeing in the manufacturing and industrial sectors is absolutely unprecedented, no question. I agree with you completely.

**Mr. Tim Hudak:** Will you at least contemplate, Minister, putting out the projections for next fiscal year in the third quarter report?

**Hon. Dwight Duncan:** No. It will be in the budget; FTAA requires that.

We will, of course, have our third quarter economic numbers, which will give us an indication of how the third quarter calendar performed on the economic side. Our Q3 financial numbers will also point out where we are relative to budget.

**Mr. Tim Hudak:** As I did in the Legislature in question period, I want to raise the strong concerns of the official opposition at the lack of projections for the upcoming fiscal year, which help agencies plan and help people plan around government spending; that for the first time in memory, there's no outlook that tells us what the revenues or expenses will be like in the fiscal year six months from now.

**Hon. Dwight Duncan:** The last time that happened was 2002.

**Mr. Tim Hudak:** Okay. So I'd ask the minister to reconsider that decision, or at the very least put it out in third quarter economic numbers. There are projections that Ontario will run a significant deficit next year, and we need to know what your projections are likely to be.

Yesterday, like a bombshell, we found out that Ontario has become a have-not province and is receiving equalization payments, for the first time in history, this coming year. What I failed to hear from the Ministry of Finance was any kind of plan to get us out of equalization, to put us back to the "have" status that we traditionally enjoy. Where is that plan and when will it become public?

**Hon. Dwight Duncan:** The equalization numbers are a result of oil-based revenues in the payor provinces. Unfortunately, we can't move the price of oil. I would predict, based on what's happening with the price of oil right now, that over time you're going to see a change.

The formula has been changed to slow the growth in equalization. What you're seeing is, basically, the strength of oil prices relative to where they have been historically. We need much more than \$342 million from the federal government. We think it's not nearly enough, given the circumstances. So unless somebody discovers oil in the north or the price of oil on international markets continues down, this will continue for a while.

**Mr. Tim Hudak:** So you're saying that the only reason Ontario has become a have-not province is because of the price of oil, as opposed to Ontario's poor economic—

**Hon. Dwight Duncan:** That's the major reason. I'll cite Professor Courchene this morning and a number of others who recognize, as we've pointed out, the nature of the calculation and how it's been gerrymandered over the years. That being said, we need more help from the federal government.

I want to talk about fairness and health transfers, for instance. The federal government has acknowledged almost \$780 million a year in terms of equal per capita funding for health care.

When you look at the calculation, it's based, really, on the strength of—and those provinces that are doing reasonably well have oil and a strong natural resource base. So it's really—

**Mr. Tim Hudak:** But it also reflects, Minister, the decline in Ontario's fortunes. We are regularly now—

**Hon. Dwight Duncan:** No, I would suggest it has more to do with the increase in the price of oil and the fact that Alberta and Newfoundland and Saskatchewan and BC have oil and natural gas. That's not me; that's what the experts are saying.

As a number of people have pointed out, it's a flawed formula; it has been for many years. We've said that; your government has said that.

**Mr. Tim Hudak:** So are you saying that Ontario's poor economic performance, near the back of the pack in Confederation in economic growth and job creation, has nothing to do with being a have-not province?

**Hon. Dwight Duncan:** Oh, certainly, the condition of the world economy and the fact that our major markets—

the United States—and that we're seeing an unprecedented change in the industrial and forestry sectors have had an enormous impact. If we had oil-based revenues in Ontario it would be a very different circumstance, particularly under this calculation.

By the way, that \$342 million will be put to good use.

Again, we're looking for fairness on employment insurance. We're looking for fairness on health transfers. We're looking for fairness on infrastructure funding from the federal government. We're going to continue to press the needs of this province, and we're going to press our 106 new MPs to stand up for Ontario.

**Mr. Tim Hudak:** Minister, as a result of this bomb-shell, are you going to be calling in your cabinet colleagues to come up with a plan to grow Ontario out of being a have-not province?

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**Hon. Dwight Duncan:** We laid out a plan in our last budget. It's a comprehensive five-point plan. Obviously, as circumstances change, we'll make adjustments. We will look to the federal government to be a true partner with Ontario as we move forward.

**Mr. Tim Hudak:** I guess the concern I've raised is that the same old tax-and-spend policies that helped get Ontario into this mess are not going to be the solution to get us out of this mess. I would strongly suggest to you to call in your colleagues in your caucus and cabinet. Certainly, the official opposition would be pleased to give some suggestions as well, as a way to grow Ontario.

What I had hoped I would have heard from the Minister of Finance was some note of sadness that Ontario has come to the state where we are now receiving equalization payments, for the first time in our history. I'd expect action to grow us out of it, to get us out of this situation that we're in.

**Hon. Dwight Duncan:** If you think corporate tax cuts are going to solve the problem, you're sadly mistaken. We have very competitive tax rates, number one, in spite of what others would say. Number two: We are cutting the capital tax, to the tune already of \$1.5 billion. What you're proposing is to—

**Mr. Tim Hudak:** I didn't ask a question there; I simply—

**Hon. Dwight Duncan:** Yes, I know, but I was hearing a statement, so I just thought I'd respond.

**The Vice-Chair (Mr. Garfield Dunlop):** Let me ask you to try to get this cleaned up in the next minute and a half.

**Mr. Tim Hudak:** Minister, you mentioned that the amount of money we'll be receiving through equalization will be \$342 million in fiscal 2009-10. You said that it's being put to good use. Are you going to spend it all?

**Hon. Dwight Duncan:** We have a combination five-point plan, which involves tax cuts as well as infrastructure. I know that you voted against that, and I know you want to cut \$3 billion from health care. We're not going to do that at this point in time. We think that's the wrong way to go, Tim.

**Mr. Tim Hudak:** But your five-point plan, which has taken Ontario to last or second-to-last in growth and job creation, is obviously already funded through your budget as such. So this is \$342 million that are not included.

**Hon. Dwight Duncan:** This doesn't flow till 2009-10, so it doesn't impact this budget.

**Mr. Tim Hudak:** Right. So what are your plans for this money?

**Hon. Dwight Duncan:** We've laid out a plan. I think most Ontarians see the fallacy of what you're suggesting. They understand and recognize what's happening in the world economy.

**The Vice-Chair (Mr. Garfield Dunlop):** There are 20 seconds left.

**Hon. Dwight Duncan:** I think they're concerned that you think a simple tax cut through corporations would exact—

**The Vice-Chair (Mr. Garfield Dunlop):** We have to bring this part of the section to an end. Sorry; we—

**Mr. Tim Hudak:** I just wanted to know if you had specific plans for that money.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes; we'll go back to this in the next round. Now to the third party. Mr. Prue.

**Mr. Michael Prue:** Before I get into today's questions, I just wondered whether there has been an opportunity to try to find out about some of the questions I asked the last time about the clawbacks to the developmentally delayed, the clawbacks to people on ODSP, the clawbacks to the national child benefit. How much money is actually being realized by the treasury?

**Mr. Peter Wallace:** I'm Peter Wallace, deputy minister. My understanding is that we are working in conjunction with the clerk to provide those answers within the normal time frames.

**Mr. Michael Prue:** And when might we expect those?

**Mr. Peter Wallace:** I believe you'll get written answers, and again, within the normal time frames. I'm afraid I don't actually know what they are.

**Mr. Michael Prue:** I don't know what "normal time frames" are. Can you tell me what "normal time frames" are?

**Mr. Peter Wallace:** Could I ask you to join us, Helmut?

**Mr. Michael Prue:** A week, a month, a year? I don't know.

**The Vice-Chair (Mr. Garfield Dunlop):** Your name, please, sir.

**Mr. Helmut Zisser:** Helmut Zisser, ADM for the corporate and quality service division. As I understand from the clerk, we have 30 days in which to provide the answers. We are working to put the answers together. Some of the questions that were raised fall in areas outside of our ministry, so we need to consult with those other ministries that are involved.

**Mr. Michael Prue:** That's fine. Thirty days; I understand that. Thank you.



My questions today, the first set, deal with securities and investor protection. The first one is a rather long question, so if you'll bear with me, I just want to read from Bill 149, the Budget Measures Act (Fall), 2004. The definition of "expert" from 2004 was changed, and it reads like this:

"The definition of 'expert' in section 138.1 of the act, as enacted by the Statutes of Ontario, 2002, chapter 22, section 185, is repealed and the following substituted:

"'expert' means a person or company whose profession gives authority to a statement made in a professional capacity by the person or company including, without limitation, an accountant, actuary, appraiser, auditor, engineer, financial analyst, geologist or lawyer, but not including an entity that is an approved rating organization for the purposes of National Instrument 44-101 of the Canadian Securities Administrators."

The original bill, Bill 198 from 2002, said:

"'expert' means a person or company whose profession gives authority to a statement made in a professional capacity by the person or company including, without limitation, an accountant, actuary, appraiser, auditor, engineer, financial analyst, geologist or lawyer."

What I'm trying to find out here: The amendment passed by the government appears to be solely intended to exempt credit rating agencies from the expanded allowance for class action suits set out in Bill 198. Can you tell me why credit agencies were exempted from the securities provision of Bill 149?

**Hon. Dwight Duncan:** I'll have to get back to you. Bill 198, as you know, is a bill of the previous government, and Bill 149 is from four years ago. I'll have to undertake to get back to you on that.

**Mr. Michael Prue:** We are worried, given this economic climate, about credit rating agencies who are being exempted, because—

**Hon. Dwight Duncan:** I'll have to see the context. I apologize, Michael. I'll have to get back to you on that.

I will point out that we have Mr. Arthurs looking at pension legislation now, and I expect his report back fairly soon. Bill 198, as you know, dealt with pensions.

**Mr. Michael Prue:** I recognize what you're saying; you're going to get back to me. Just for the record, the lack of regulation of credit rating agencies is seen to be one of the factors behind the current global financial crisis, and I want to make sure that Ontario is on top of this. I trust that you will get back to me, and we can ascertain whether or not we are as fully protected as we should be. Can you tell me at this time, though: Is there another form of regulation of credit rating agencies?

**Hon. Dwight Duncan:** In Ontario?

**Mr. Michael Prue:** In Ontario.

**Hon. Dwight Duncan:** Not that I'm aware of.

**Mr. Michael Prue:** Should there be?

**Hon. Dwight Duncan:** I concur with you that part of the challenge, as I understand it, with what has happened in the United States and the world markets has to do with credit rating agencies. The issue would be—and it's one that is being debated, as I understand it, among inter-

national heads of state—who would take the lead on that, where the regulation would come in and how most effectively to regulate it. There's a movement now, particularly with banking—and I know that there've been some changes made in the United States. I know, sort of at a high level, what those changes have been, but I do concur that there's a need for that, principally from a securities perspective. I guess the issue in my mind would be: Where is that appropriate? Where would the regulation fall, and under whose jurisdiction?

But I do, as a matter of principle, concur with your analysis and would welcome your insights and those of others who are concerned about it.

**Mr. Michael Prue:** There has been much discussion for many years about a single regulator. It doesn't seem to have moved at all. I know that the federal finance minister has talked in recent days about going down that route, but I also remember—it must be at least five years ago now, or close to it—that one of the first actions of the new Liberal government was that the finance committee met and we went through talking about a single regulator. Much was said about that, but all the other reforms that we had never happened while waiting for that regulator. Are we any further ahead today, or should we be moving alone?

**Hon. Dwight Duncan:** First of all, it would require federal legislation. Ontario continues to support a move to a common security regulator. The other provinces and territories oppose that. The federal government has asked the honourable Tom Hockin, the former federal cabinet minister, to make recommendations with respect to a federally legislated mandate. Mr. Flaherty did indicate to us yesterday at the finance ministers' meeting that Mr. Hockin will be presenting his report on or about December 1.

0930

It is our intention to support a common securities regulator. We obviously want to see the specifics of Mr. Hockin's recommendations to assure ourselves that they respond to the recommendations of the Legislative Assembly of Ontario, and also to assure ourselves, given that Ontario represents somewhere in excess of 70% of the securities markets/capital markets in Canada, that Ontario's position is respected in that. So I look forward to hearing from Mr. Hockin once we've had an opportunity to review his recommendations and consult with the federal government. My expectation would be that the federal government would begin the legislative process.

The passport system that's been adopted we don't feel is an adequate system, particularly in the context of recent events. We continue to support a common security regulator and are anxious to see Mr. Hockin's recommendations as well as what the federal government will do. As I understand it, there are legal issues that the federal government has to contend with. Again, depending on the nature of the legislation they bring forward, we'll look at our options for supporting the federal government in that endeavour.

**Mr. Michael Prue:** Okay. We'll wait for that one. Any indication of how long it will be until the report is issued?

**Hon. Dwight Duncan:** Mr. Flaherty said to us yesterday that he anticipates he'll get Mr. Hockin's report on December 1. He didn't outline a time frame with respect to legislation. The sense I have from the minister and from the federal government is that their intention is to move in fairly short order after the receipt of Mr. Hockin's report. Again, the minister did not say that. I'm just interpreting our conversations and what I've heard from the federal government.

**Mr. Michael Prue:** Okay. Then on to something slightly different. In light of the international financial crisis, has the minister or staff been in discussions with the OSC about a new package of restrictions on lending, leverage and certain types of derivatives that helped to deepen the financial—

**Hon. Dwight Duncan:** Yes, we have. Mr. Wilson has provided me with a lot of advice over the course of the last few weeks. The OSC has been and remains very active with the Securities and Exchange Commission in the United States and other world regulating bodies with respect to that. I expect to hear more from the OSC as we move forward, but there has been an absolute ongoing dialogue between my ministry, myself personally and Mr. Wilson.

**Mr. Michael Prue:** Will the minister be preparing a report and an action plan to be filed with the Legislature or made generally available in public of where you plan to go with this?

**Hon. Dwight Duncan:** We'll have more to say about it. I'm not sure precisely what form that will take, but we will have more to say about it, Michael. Again, there is a movement to harmonize what's going on internationally. I know that the Ontario Securities Commission remains in close communication with the Securities and Exchange Commission in the United States and others. The sense I get is that there has been a slowing down of movement on these files pending the result of today's election. We will continue to be intimately involved, through the OSC, with their recommendations as we move forward in these challenging times.

**Mr. Michael Prue:** It would appear that both of the leading contenders for the presidency of the United States have said that this is a key issue and that they want to move rapidly on it. Are we in a position to move as rapidly as they might?

**Hon. Dwight Duncan:** Yes, we are. In fact, I would suggest, given the way our financial services sector has been regulated, we've managed to avoid a good chunk of what's occurred in the United States and in other jurisdictions' banks, credit unions, the whole securities industry. There is more to do, and we will continue to work with the securities commission as we respond to these challenges. We also want to make sure we're in sync with what the other securities administrators around the world are doing, particularly the Securities and Exchange Commission. As you indicated, the notion of a common

securities regulator will also come into play in this as well.

**Mr. Michael Prue:** Mr. Chair, how much time have I got? About five minutes, I guess.

**The Vice-Chair (Mr. Garfield Dunlop):** Seven minutes and 40 seconds.

**Mr. Michael Prue:** Seven minutes, okay. The next one, again, is a quote. It's from Elizabeth Warren, a law professor and bankruptcy expert: In the US today, it is not possible "to buy a toaster that has a one-in-five chance of bursting into flames and burning down" the customer's house. "But it is possible to refinance" an existing home "with a mortgage that has the same one-in-five chance of putting your family out on the street" without ever disclosing the fact to the homeowner.

Ms. Warren's plan is asking for an independent consumer protection organization that would look at, for example, default clauses, unlimited and unexplained fees, and interest rate increases. It would also restrict certain types of marketing practices and would make mandatory changes to product labelling. She's been supported by Joseph Stiglitz, a world-renowned economist, and countless others. Is this an idea we should be doing in Ontario?

**Hon. Dwight Duncan:** With respect to mortgages, that would largely be federally regulated. We obviously support the initiatives in areas where we have some jurisdiction. The federal government has moved in some areas around mortgages and lending practices of the banks, which fortunately did not fully imitate what was going on in the United States.

With respect to the mortgage brokerage industry, as you know, we brought in new legislation more than a year ago, with a full regulatory framework that we think is among the best in terms of mortgage brokers.

But in terms of the mortgage products themselves and the banks, that's largely federal jurisdiction.

**Mr. Michael Prue:** Ontarians aren't having the same kinds of problems in terms of mortgages—to date, anyway—as are occurring in the United States. They're not likely to experience the same housing market meltdown, although there is some evidence that there is some softening.

However, somebody needs to be there to prevent the sale of risky assets referred to by investment advisers as "completely safe." Recently, we have been hearing about average Canadians owning asset-backed commercial paper that was sold as a safe, almost-GIC product through the banks and some lending institutions.

Would you support the creation of an Ontario financial products safety commission? If discussions surface for a national financial products safety commission, would you support its creation? Do we need one in Ontario? If the feds were going to do it, would we support it? Do we need to be able to warn people that these so-called safe investments are not as safe as they were originally claimed to be?

**Hon. Dwight Duncan:** It's a pretty broad question. The whole issue of consumer protection in these circumstances may or may not fall to the province of



Ontario, or any province for that matter. We obviously would support enhanced consumer protection in light of circumstances. The work that Ms. Purdy Crawford did helped to resolve a number of issues. I would have to explore in greater detail the regulatory opportunities we would have, as well as looking to what, if anything, we could have done in the previous situation, whether we could have influenced that. But, again, I think the principle that we have begun to look at is consumer protection in these areas.

In the areas that we regulate, again, asset-backed commercial paper was not a product that was sold. To the extent that we could impact regulation, we'd obviously look very carefully at anything the federal government might recommend.

I can tell you we have not talked about that issue among finance ministers at this point. I've had no indication from the federal government if they intend to go down that path. But certainly we would look at anything that was brought forward in an area that I think was broadly regulated by the federal government. We'd look at it with an eye to supporting enhanced accountability, improved consumer protection.

0940

**Mr. Michael Prue:** It's very difficult to open up the financial—

**The Vice-Chair (Mr. Garfield Dunlop):** Two minutes left.

**Mr. Michael Prue:** Okay, thank you.

It's very difficult to open up the financial pages, or even some publications. Maclean's magazine last week had a very large article on people who have really invested their life savings on the understanding that they were buying a product, a pretty conservative and safe product, only to see it melt into nothing. The level of consumer angst out there is enormous. What we need to know—and I'm hearing you, that you're concerned—what I think people need to know, is that something will be done to regulate it. We've seen in the United States and France the leaders who are considered to be the ultimate in free-marketers, George Bush and Sarkozy, coming around and saying that the old way isn't going to work anymore. I think people in Ontario need to know that the old way we've done it here too has pretty much had it.

**Hon. Dwight Duncan:** The instruments you're talking about are principally regulated by the federal government. I understand that our federal government will be participating in the summit in Washington on November 15, and I'm not even sure if that specific issue is on the agenda. But, yes, it's certainly something that caused an enormous meltdown around the world. Obviously there's consumer angst, and obviously, to the extent that we can regulate, we'd look at it, and to the extent that our advice is sought by federal regulators as we move forward in the regulation of the financial services sector, obviously we would look closely at it, and to the extent that we could influence the process, we would do so in favour of better consumer protection.

**Mr. Michael Prue:** Thank you. I think my time must be up or close to it.

**The Vice-Chair (Mr. Garfield Dunlop):** We're down to just a few seconds. That'll wind up the third party. We'll now move over to the government members. Mr. Ramal, do you have a question?

**Mr. Khalil Ramal:** Yes, thank you, Mr. Chair. I'm delighted to be here this morning.

Good morning, Minister. Thank you for coming to London for the pre-budget briefing. I know you outlined the challenges facing the province of Ontario. There were many, many stakeholders from education, health care, arts, culture, universities and municipalities who came to attend this briefing. You spoke in detail about our finances in this province, and you talked with honesty about the issues that face us at the present time and also in the future. I know from the clippings yesterday that you met with other finance ministers from different provinces, and also with the finance minister of the federal government, and other people from the territories, to talk about the finances of this nation. I'm wondering if you can tell us what happened and what's outlined for meetings as a result of it.

**Hon. Dwight Duncan:** The finance ministers agreed to four points that we would all work together on, and the good news for Ontario: It's all stuff we've been working on already. First of all, the regulatory environment of pensions: The provinces have jurisdiction over a large part of that. We've all agreed that we're going to speak again in December about that issue.

We talked about infrastructure and the need to both accelerate infrastructure investments and the need to better coordinate efforts between the federal government and the various provinces. For instance, we have an agreement with Ottawa with respect to Building Canada, on the Ontario portion of which, we still contend, we didn't get our fair share; we were short-changed relative to other provinces. But there have also been administrative delays in getting that money out and getting the projects in the ground.

We talked about the whole regulatory climate for business. In fact, we talked about the need, on a range of areas, to reduce regulation, reduce red tape.

Those were the sorts of things we've agreed to, again, meet on in December, as we contemplate what's going on in the broader Canadian economy. There was, I would characterize the discussions, profound concern for the entire Canadian economy, in the sense that everybody, even Alberta, is concerned with respect to what is happening south of the border. I was pleased with the comments of a number of my colleagues and counterparts indicating their understanding of the particular situation Ontario finds itself in vis-à-vis the manufacturing. So it was a good meeting in that sense, and we will be meeting again. First ministers are meeting next Monday, as you know; finance ministers will meet again next month. Again, Mr. Flaherty indicated that he'll have the Hockin report back with respect to a common securities

regulator, and we'll be discussing those issues I just reviewed with you.

**Mr. Khalil Ramal:** Okay. My colleague has a question.

**Mr. Yasir Naqvi:** Minister, there was some discussion earlier on in the proceedings about equalization payments and Ontario qualifying for them. I would love to hear your views about this. It's my understanding that if and when Ontario does receive equalization payments from the federal government, we essentially will be paying ourselves. Is that true, and how does that work?

**Hon. Dwight Duncan:** It has to do with the \$20 billion we send out of the province. I think we've put \$100 billion into equalization since the program was started. Because of the way the formulae have been rearranged over the years, it's really, as Professor Courchene and others have pointed out, a broken system. It's one where at least we're getting something from the federal government at this time. So we're going to continue to press our case around other issues.

Again, the key factor here, in terms of what has pushed this, is the volatility, particularly in the price of energy. If you're sitting on oil, potash, natural gas or coal, your income and the way it's factored into the equation basically means that the equalization is shifting resource from the energy-producing provinces to those that don't. Just to put it into context, I think some 71% of the Canadian population gets equalization. Quebec gets \$8 billion. We'll get \$342 million in 2009-10.

So, we'll take the \$342 million. It's a broken system; most analysts agree with that. We will continue to press for fairness on everything from infrastructure funding through to health transfers so that Ontario can retain a little bit more of what it's putting into the federation.

**Mr. Khalil Ramal:** Minister, we've been leading a campaign for fairness for Ontario, and you and the Premier have spoken about this for a long time. You don't miss any meetings with the federal government, with all the stakeholders, to address this issue. I know the federal government, lately, is trying to address part of your needs and your questions, so can you tell us how these new changes will affect or benefit fairness for Ontario?

**Hon. Dwight Duncan:** The amount of money relative to the inequities that we see in a range of files is actually very small, and it's very small relative to the overall budget of the province of Ontario and relative to what other non-oil or non-energy-producing provinces receive. The great strengths in our economy are still there. The equalization formula really doesn't, as a number of commentators pointed out today, reflect have versus have-not. What it reflects is who's got oil and who doesn't. We will take the \$342 million. We think, in terms of fairness, there needs to be a whole lot more from Ottawa.

I should also point out that there are a number of federal fund flows that are time limited that are going to expire over the next two years in a whole range of areas—and the reduction in growth associated with

equalization announced by the federal government yesterday. It was quite significant, in my view, and I think it will cause some concern for a number of the smaller provinces. I'm also watching very carefully those funds that were time limited in nature and what impact that will have on Ontario's ability to deliver services, in light of the fact that, again, the government has consistently refused to address the challenge that they acknowledge—that our per capita health care funding is \$780 million shy of what we should be getting, and they've said they'll start to address it in 2014. So we're going to watch all those things very carefully.

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**Mr. Khalil Ramal:** Minister, I heard you speaking to Mr. Hudak and Mr. Prue a few minutes ago about fairness. You considered whatever happened with the federal government yesterday a good step, but it's not enough to address our needs.

**Hon. Dwight Duncan:** The amount of money relative to what has been clearly identified—I'll just point one out. That \$780 million is annual funding, and they've acknowledged that that's what Ontario gets short-changed. As I said yesterday, we're effectively paying ourselves. That speaks to how the whole equalization formula has been gerrymandered over the years, by governments of different political stripes, by the way, and points to, in my view—really, what it does is it just measures who's got oil and who doesn't, or who has natural gas and some other things. That's essentially what's driving this.

That's not to say there aren't real challenges in our economy that we need to address and we are addressing. We're not seeing the federal government address them. We're not hearing about the manufacturing sector in a meaningful way. We're not hearing about the forestry sector in a meaningful way from the federal government. We're not hearing about equality in employment insurance opportunities for Ontarians. We're not hearing about fairness in health transfers for Ontarians. So there's a lot of work to do.

As I indicated yesterday, Premier McGuinty will be meeting with his colleagues next Monday, I believe it is. We'll continue to press our case, and I think Ontarians understand that. I think Ontarians are going to work with us to try to address some of these inequities.

**Mr. Khalil Ramal:** Thank you, Minister.

**Mr. Yasir Naqvi:** Minister, the auto sector is a huge component for Ontario, as you know, being from Windsor. In yesterday's meeting with finance ministers, was the auto sector and the impact of today's economy on the auto sector discussed? Was there a plan outlined as to how to support the industry?

**Hon. Dwight Duncan:** No. By the way, the one point I did fail to address that the ministers agreed on was access to credit, which comes back to the automotive sector situation.

I was—how do I express this? As you know, most of the automotive sector is based here in Ontario. A number of my colleagues, from Nova Scotia and Alberta in



particular, talked about the significance of access to credit for business and how, for instance, the Export Development corporation is not backstopping a whole range of businesses. This is becoming an increasingly apparent challenge; that is, with more liquidity in the banks, is that liquidity actually being felt by businesses and so on? The clear concern was that it's not, and we've agreed to talk more about that in December.

My own view is that the situation in the automotive sector is becoming particularly acute in the United States. You saw the sales figures for not only the Detroit Three, but the international automakers. We know that the Detroit Three particularly are working with the government of the United States. There is a \$25-billion program that's part of the energy bill the government of the United States has that is designed to help the automakers transform to adopt the CAFE standards.

We've now been able to meet with a number of senior officials in the United States; we've been able to meet with a number of industry participants. Basically, that money will go to US operations, so it gives the US industry an enormous opportunity—and, by the way, not just US companies but even foreign manufacturers or non-US manufacturers. Now the industry is pressing for a relaxation of the rules around that money to get liquidity into the automotive sector. That's going to pose an enormous challenge for Canada and, more particularly, Ontario.

Mr. Flaherty talked about \$350 million and possibly \$400 million. A number of auto industry experts have said that in order to reflect on a proportional basis what the government of the United States is doing, you'd have to have a commitment of around \$4 billion—so not even a tenth. Again, I remind you, the footprint of the auto industry goes right up and down the 401. Whether you're talking about Windsor, St. Catharines, London, Brampton, Oshawa, Richmond Hill or many communities in between, these developments in the United States I think are extremely, extremely serious, and we need to be at the table in a meaningful way. When you see an unprecedented decline in vehicle sales, as was announced yesterday, the federal government, in my view, at this point has not looked at this as seriously as we know the government of the United States has. We will continue to meet with the industry. We look forward to a federal government that will be of some assistance here, the way they were with the financial services sector.

**Mr. Yasir Naqvi:** Thank you.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got around six minutes, folks.

**Ms. Sophia Aggelonitis:** Minister, I want to thank you and Minister Watson, AMO and everyone who was involved in the provincial-municipal review. Could you please tell me what the main elements of this review were?

**Hon. Dwight Duncan:** Yes. We have agreed to upload Ontario Works as well as court security costs. This is in addition to the uploading of ODSP and ODB, which was announced earlier. It's in addition to the equitable

sharing of public health costs and ambulance costs and all of those things we've already announced. This will be phased in over a 10-year period. We began implementation of the ODSP and ODB last year. It represents a very large assumption of cost for municipalities. Frankly, I think we all would like to have done it quicker, but the way we were able to come to an agreement with our municipal partners, to me, Sophia, is the way we need to do business in the future with our transfer partners. Everybody recognizes that these are difficult times. Everybody recognizes the challenges to our revenues.

I'm also very pleased with the \$1.1 billion in Investment Ontario money that will be heading to our municipalities likely in the next two weeks for projects that are ready to go. Again, that's an enormous stimulus package both for job creation in the short term and in terms of improving our long-term competitiveness and productivity.

I guess the final point I would make is that we're particularly pleased that we had such overwhelming support from AMO, from the city of Toronto and from our municipal partners. Again, the one thing I found most reassuring about the whole process is that the municipal representatives who were signatories to the document not only represent large and small municipalities, urban and rural, but they also cover the political spectrum. I think it's a real win for municipalities, and more importantly a real win for ratepayers and taxpayers in Ontario.

**Ms. Sophia Aggelonitis:** Thank you.

**Mr. Yasir Naqvi:** Minister, I'm just going to continue on with what my colleague asked you, about the review. Municipalities, as I think we all know, are an enormous asset to us in partnership with them. What, in your opinion out of this review, is changing in terms of the long term and how is this review going to benefit municipalities?

**Hon. Dwight Duncan:** What's unprecedented is the uploading of social welfare costs to a broader tax base. The other thing that Mayor McCallion pointed out is that we're going from constant downloading to uploading, which reverses a trend that began back in the early 1990s. That's the first thing.

The other very significant thing is that the social welfare costs, whether it's ODSP or OW, being borne by a much broader tax base should lend greater security to payment, greater security to funding of those. It's the first time that has happened in over 70 years. It's the first time in Ontario history. That reflects what goes on in other jurisdictions, by the way. It's something the advocates we've met with as part of the poverty strategy have all advocated for.

At the same time, I think what's significant is that municipalities will continue to administer it. So while the program is on a broader tax base, it will still be administered locally. We have some arrangements where the sharing of administrative costs between Ontario and municipalities will continue to allow us to work together, but we're very pleased with it.

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I guess those would be the two most significant things: (1) We've reversed the download spectre; (2) the strengthening, or the broadening, I should say, of the tax base that supports the social welfare costs, which every economist I've spoken to and every other province does.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got about a minute and a half to ask your question.

**Mr. Khalil Ramal:** Minister, since we're talking about municipalities, I know we have good relationships with municipalities across the province of Ontario, especially since we were elected in 2003. Can you tell us how much we upload and how much we've been supporting the municipalities?

**Hon. Dwight Duncan:** It's about \$3.8 billion over the last few years, Khalil, when fully implemented. Everything from gas tax revenues, and assuming our fair share of public health—basically undoing what had been done and giving greater stability to municipal funding, moving forward into greater stability to municipal property taxpayers.

Again, what I was particularly pleased with in the exercise was that working with one of our major stakeholders, we were able to work through some very challenging issues with mutual respect, mutual understanding of fiscal capacity and fiscal limitations. That should, I hope, serve as a good benchmark for how we can continue to work with all of our stakeholders.

When we were in London, we heard from a range of stakeholders—the University of Western Ontario, Fanshawe, a number of the municipalities in the area—and there are difficult issues, there's no question. Our capacity to respond as quickly as we've been able to in the past is not there, but we can continue to work together as long as we're dialoguing and trying to come up with mutually agreeable solutions to the challenges.

**The Vice-Chair (Mr. Garfield Dunlop):** That's good. That's right on time. Okay, so that's the government members out of the way. We'll finish this morning's session with 20 minutes from the official opposition. Then we'll recess and go to question period.

**Mr. Tim Hudak:** Perfect, Chair. Thanks very much. Just a couple of quick questions on my last line, and one of the topics that my colleague Mr. O'Toole has a number of questions on.

Minister, just to make sure I understood: The \$342 million Ontario will be receiving in equalization payments next fiscal year—those funds will be used to support your existing five-point plan, or do you have additional plans for those funds?

**Hon. Dwight Duncan:** Well, we'll lay that out in the budget next year. Those monies won't accrue until the next fiscal year.

**Mr. Tim Hudak:** Okay. Traditionally, Minister, Ontario's position has been that the equalization program should be constrained or capped. I think it's the position that you've taken up in the past, too. Just reading through your comments in the media today, it was a little unclear if that's still a position of Ontario—

**Hon. Dwight Duncan:** What I said was that we have supported, not the capping; what the Premier said, over the course of the last few years, is "restraining the rate of growth." We acknowledged Mr. Flaherty's effort in that regard, and we will continue to accept whatever we're eligible for. But over the course of time, the rate of growth in that program is unsustainable, as Mr. Flaherty said, from a Canadian perspective.

**Mr. Tim Hudak:** Yes. Just to shift to another topic, Minister, an OSC initiative: Rudy Luukko's column in the Toronto Star on Saturday was entitled "Fund Facts Delivery Rules Controversial." I don't know if you've had a chance to look at this—

**Hon. Dwight Duncan:** I apologize; I haven't seen it.

**Mr. Tim Hudak:** No problem. I know you have a lot of items in your ministry. Basically, the OSC is working on a new disclosure document for mutual funds called Fund Facts. It's a two-page, single-sheet document that will just have the basics on it for investment choices. There seems to be pretty broad support for this initiative, which would have on it management expense ratios, how the funds pay for commissions to distributors etc., for potential purchasers of these funds.

Where the controversy lies—and I don't think this has been put on your desk yet—is in how it's delivered. So if a purchase of a mutual fund is client-initiated, the Fund Facts sheet would come with the record of the purchase.

The challenge is when a broker or somebody else is trying to sell the fund. There's a concern in the industry that this will limit competition, limit choice to purchasers, by causing some new red tape.

Let me read you a couple of lines from Mr. Luukko's column. He says:

"Fund industry officials generally applaud the Fund Facts document. But they say the proposed advance-delivery requirements will cause delays and put their products at a disadvantage to competing investments.

"There are no similar delivery requirements for exchange-traded funds, separately managed accounts, principal-protected notes, closed-end funds, or direct purchases of stocks or income trusts. Nor are there likely to be any in place when the Fund Facts regime" comes into effect.

He has a quote from Jon Cockerline, who's a senior Investment Funds Institute of Canada official: "He says regulators have left it to dealers to define what constitutes a dealer-recommended" fund. His quote is, "It will be a very complex compliance requirement.... We think it is going to drive up costs and reduce choice for investors."

I recognize that this may not have been a column that you had a chance to read, but do you plan on reviewing the OSC's delivery rules around these fund facts?

**Hon. Dwight Duncan:** I haven't been briefed by OSC on this particular issue. I think I would concur that, particularly in the current climate and the experience we have, you try to find the balance between disclosure—full disclosure, fair disclosure—so consumers are as well-informed as they can be, and balance that against the sorts of concerns you were just talking about. The



OSC has yet to present me with recommendations on that, but as you know, we sign off on all of their regulations, and we'll look at it.

We generally try to find consensus before a regulation moves forward, whether it's this situation—normally, by the time a regulation gets to the finance minister, it's been thoroughly vetted and agreed to within the industry. It's very seldom that we don't see that.

**Mr. Tim Hudak:** Are there any officials from your ministry present today who could update where this stands in the process?

**Hon. Dwight Duncan:** I'm not sure. Is anybody familiar with that? Pat, are you familiar with this particular—

**Mr. Pat Deutscher:** Just very broadly, it is a proposal that was put out for consultation. I'm not absolutely familiar with the length of the consultation period, but I believe it's 90 days. There still will be time to further review the process of implementation. Following that, the Ontario Securities Commission would go through its normal process of presenting the rule to the minister for his consideration.

**Mr. Tim Hudak:** So the proposed rule change is still under OSC consultation and hasn't even come to the Ministry of Finance at this point in time?

**Mr. Pat Deutscher:** Not in that sense, no; that's right. It's been published by both the OSC and other regulators for consultation with the industry and consumers.

**Mr. Tim Hudak:** Chair, I'll leave it at that. Thank you very much to the ADM. I'll just signal that to the minister as a concern that I have around the impact this may have on competition and choice for investors and potential red tape in terms of dealer-initiated transactions.

I wonder, Minister, if Mr. Christie—he is present, I think, isn't he? Yes, there he is—is able to update us on the question I'd asked him on Wednesday with respect to the status of the major public pension funds. Then Mr. O'Toole will have the floor, Chair.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Christie?

**Mr. Bob Christie:** I'm Bob Christie, superintendent of financial services. Mr. Hudak, I believe some information has been or is in the process of being put together on that. I do not know if it has been supplied to the committee yet. As I say, I know it is being worked on. When it's complete, it will be turned over to the committee.

**Mr. Tim Hudak:** We haven't received it yet. Okay. Mr. O'Toole.

**Mr. John O'Toole:** My questions probably would be first to comment in a general sense, but Mr. Christie, being the administrator of fiscal, is probably where most of my questions will be.

In a general sense, Minister, a comment: As the critic for municipal affairs, I'm quite surprised this morning at the have-not status. Your advice to the Minister of Finance federally is that he's got to control spending. When I look at where you've come from, a \$69-billion budget to \$96 billion, perhaps there are some lessons

there for you as well. The long-term funding of this agreement that you've been allowed to put on the record is a long-term series of promissory notes that may not be fulfilled because of other shortages in your own revenue stream.

I just want to get to the point of my questions here. I pay close attention. I'm probably the oldest person in the room—

**Mr. Tim Hudak:** Nonsense.

**Mr. John O'Toole:** I'm over 65—and I'm quite interested, on behalf of my constituents, more specifically in the health of their pensions and futures. I feel that there's probably an opportunity here for the government to show leadership. I'll be specific in a general sense: I was quite concerned when I watched the debate around the Ontario teachers' pension fund. I've watched it for probably five or six years. They're drifting in the \$15-billion deficit or unfunded liability; that's my understanding. They've just come to an agreement to deal with that shortfall by eliminating the cost-of-living indexation on future employees in the teachers' pension plan. There are fewer people paying with declining enrolment. Now I find out that the Ontario public service pension has about a \$5-billion to \$6-billion hole in the ground on unfunded liability. Now I'm very concerned about the OMERS pension because the agreement that you, as government, made to have a double-tiered pension for the Ontario municipal employees is further troublesome. I know the status of the private sector pensions: 75% of all pensions are unfunded. The assumptions, actuarially, are serious problems for the actuaries. I'm not trained, except I just read the paper. There's a good article in the *Globe* on it and a good series on CBC on it.

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Here's my concern: Is the fiscal department, the Financial Services Commission of Ontario, preparing any kind of education strategy for persons on these issues on a go-forward basis? Not to alarm them, because even internationally—I was in England recently for a month, in the British Isles; I came back about four weeks ago, and it's huge over there. It's, like, trillions, a \$4-trillion and \$5-trillion problem. So I figure this is the big shoe. This is the pool of capital that we're going to be building hospitals with. If the pool of capital dries up, which is basically these funds, patient, kind of long-term agreements—is there any kind of education process going on with the public and with members generally, on the status of pensions, public and private?

**Hon. Dwight Duncan:** First of all, when one reads about stock market performance and so on—you're absolutely right. Throughout the world, the stock markets have been seeing enormous volatility, unfortunately in the downward direction. That impacts, obviously, on the holdings of pensions. There's a range of regulatory protections in place that are designed over the long term to protect the investments that pensioners have. It's a complex set of rules. One of the things that we reported yesterday that the Canadian finance ministers agreed to is that we're going to have a discussion about those rules

because, moving forward, we want to make sure that we have the right regulatory regime in place to continue to protect the holdings in pension funds.

In terms of education opportunities that FSCO has offered, I'm not aware of any specific programs of that nature, but I'll ask Bob to comment on that.

**Mr. Bob Christie** Mr. O'Toole, there are not specific, tailored programs of that type. We have general information available on our website—specific plans to communicate with their members about the status of their plans. I think, probably recently, the most thorough public discussion of these issues has likely occurred through Mr. Arthurs's commission.

**Hon. Dwight Duncan:** If I can just add to that, John, again, like you, I'm not an expert on these matters. I know that plans that I'm involved with generally keep their members informed and so on. I think that as a result of your question, I'm going to ask FSCO if they would be kind enough to see what other jurisdictions might do in that regard. In light of all the discussions, I think you raise a valid point, and it's worth pursuing.

**Mr. John O'Toole:** In a general sense, I appreciate the ability in the public forum here to do that. Half of my constituents—and I'm one of them; I'm a retiree from General Motors, 31 years—find that their status today is somewhat shaky. We'll have to look at seeing what the future is there, but they have a serious problem going forward too. It's systemic, meaning they're not going to get out of it, because all of the assumptions are based on more people paying than collecting, and it's kind of the reverse now. I'm sure that you're very well trained in this business. I think fundamentally that some of the assumptions are completely flawed, like the return on equity and the number of persons paying into plans with the baby boom and all those kinds of things. I'm very, very concerned. I think we have a role in government, both federally—because some of this stuff is federal, but certainly it is provincial as well. I'm very concerned, even because when you've got these spread funds and mutual funds as part of your plan, they're huge. There needs to be some plan here, and that's my point. As I say, I called the person in FSCO directly on the General Motors fund to get some information, and it's fairly ambiguous, because in the event of corporate failure, heaven forbid, they go under the Pension Benefits Act, which means that somebody who's got a pension of \$4,000 to \$5,000 a month could go down to—how much would they get if they were covered by a pension benefit provision?

**Mr. Bob Christie:** The pension benefits guarantee fund essentially provides up to \$1,000.

**Mr. John O'Toole:** So that's my understanding. They've been very helpful there. No one wants to be alarmist in this, but I think there is a responsibility in government.

The other one that I'm getting a lot of calls on—

**Hon. Dwight Duncan:** If I may, again, with respect to any individual pension plan, it's difficult to comment with respect to the status of any of them, but the whole

regulatory framework under which all pensions function is one that's constantly under review. Mr. Arthurs will be reporting back to us. As you know, we appointed him two years ago. We expect his report back any time now. Certainly, I think we're going to get it back this month, and that will occasion the opportunity to discuss the regulatory framework of these plans.

**Mr. John O'Toole:** I'm concerned. I'll just go back to the other part. There has been some movement, federally and provincially, with access to LIRA, the locked-in funds—because a lot of people say, "It's my money, and I can only get sort of an annuity out of it, yet there's \$100,000 and I'm losing my house. What's the deal here?" Could you help me there, because I'll tell you, that is a problem and it's going to get worse. We need to have some certainty—you need the direction from government, obviously, to change the rules. The feds have moved, other provinces have moved, to a greater share—up to 75% in some jurisdictions have access to the fund. Is there anything being discussed in the higher circles?

**Hon. Dwight Duncan:** We had a discussion yesterday, and we'll be having a greater discussion in December, about the pension regulatory regime. That's an issue that would come under that general framework. Historically, we have evolved the pension regulatory systems that we have, based on prudent investment of members' funds to ensure, over time, that they can be paid. There is considerable angst, particularly among seniors and among those who are close to retirement, these days around what's going on in markets. We have agreed, as finance ministers, that at our December meeting, as I pointed out earlier, we will have the opportunity to look at these issues from a national perspective. Moreover, again, we'll be getting recommendations back from Mr. Arthurs. As you know, there were attempts by previous governments to reform the pension model that weren't successful. Mr. Arthurs was appointed and has done quite a broad consultation with pension funds, with their administrators, with beneficiaries. When that report comes back, I think it will occasion the opportunity to have a real discussion with all Ontarians about the future regulatory environment under which our pension systems will function.

**Mr. John O'Toole:** I appreciate that, and I won't cause any more grief on the topic, but in summary, I would like a public report on all public sector pensions and their go-forward liabilities. It's an appropriate question. There are annual reports filed and an overall assumption of the deficit in the private sector. It's my understanding that Inco, Vale Inco now, was sold for pension, Stelco was sold for pension, and I have a fear that the same thing is being discussed in other legacy firms, which are all in serious trouble. I wouldn't want to find out about it in the future.

Anyway, I'll switch topics to something a little happier.

**The Vice-Chair (Mr. Garfield Dunlop):** Two minutes, Mr. O'Toole.

**Mr. John O'Toole:** Two minutes? I'll try to get down to that.



This does relate to the Ministry of Finance. I, as the municipal affairs critic, am disappointed in the response and the politicization of the provincial-municipal service review. I don't know how you got Hazel and David to sign on so quickly, because I don't think it's as rosy as you think. Now, I hear this morning, that the next real truth that has emerged is Ontario's failure in the competitive place, as Canadians. That's the unfortunate dilemma of six years of stewardship under increased spending and public commitment in the operating budget. The \$1.1 billion on the year-end spending: That's capital, it's one-time, and hopefully it will have a bubble effect in the economy.

I was in Great Britain. I went to Westminster. I was in the Dáil in Ireland. I was in the Isle of Man. All of them are talking about—and I could show you the Business-Week magazine—public sector restraint. Have you any plan in your future budget, or are you going to give me the old wait-and-see, in the event that your economy slips—that's a billion dollars for every point—to deal with spending, and in what sector would you be expecting to cut, now that we're a have-not province?

**The Vice-Chair (Mr. Garfield Dunlop):** He's only going to have about 30 seconds to answer this, so it may not—

**Mr. John O'Toole:** That's good, because he won't give me an answer, anyway.

**Hon. Dwight Duncan:** We have an ongoing plan—it goes on every year—to find savings within government. I note that I've got a number of letters here from you asking us to increase funding in a number of areas. So we continue to take a balanced approach to the affairs of the province and continue to do a very good job, in terms of delivering government programs efficiently.

**The Vice-Chair (Mr. Garfield Dunlop):** That winds up our time with the official opposition. Any second now the bells will start ringing for question period, so we'll recess until 4 o'clock, at which time we'll come back and the third party will have the first rotation.

**Mr. Michael Prue:** How much time is left in total?

**The Vice-Chair (Mr. Garfield Dunlop):** Sylwia will figure that out when we get back here, but we've got about four hours.

*The committee recessed from 1020 to 1624.*

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, we'll reconvene the meeting. It's now up to the third party. They have 20 minutes to begin questioning the minister and the ministry staff. Welcome back, everyone. Mr. Prue.

**Mr. Michael Prue:** Thank you. The very first question is technical. How many pension plans are regulated by the Financial Services Commission of Ontario?

**The Vice-Chair (Mr. Garfield Dunlop):** I'd just ask you to give us your name again, please, sir.

**Mr. Bob Christie:** Bob Christie. I'm the superintendent of financial services. Mr. Prue, I will attempt to find that information, and if I can't find it quickly, I will get it and pass it along to you. It's in the several thousands, but I don't have that.

**Mr. Michael Prue:** But there are thousands of them?

**Mr. Bob Christie:** Yes.

**Mr. Michael Prue:** That will do for now, but if you could let me know exactly how many, that would be interesting.

**Mr. Bob Christie:** Sure.

**Mr. Michael Prue:** It's my understanding that all pension plans, all of these several thousand, have an actuarial valuation done at least once every three years. Is that correct?

**Mr. Bob Christie:** That's correct for the defined-benefit plans. Obviously, the defined-contribution plans are a different animal and don't have the same kind of valuation requirements.

**Mr. Michael Prue:** This valuation that is looked at every three years looks at the pension in two ways—I just want to make sure I've got all these things down right. First is whether there are enough assets to pay out all of the obligations if the company were to go bankrupt; that's called the insolvency test, and that's done. Second is whether the company has enough assets to cover its obligations as a going concern; that is, whether there appears to be enough money in the long term to pay off the beneficiaries.

**Mr. Bob Christie:** That's correct.

**Mr. Michael Prue:** Are both of those things done every three years?

**Mr. Bob Christie:** Yes, sir.

**Mr. Michael Prue:** Okay. Then just a couple of lead-up questions here. My understanding is that the rules governing solvency valuations are stricter, generally, than those governing ongoing concern valuations. That is, they want to make sure that there is sufficient money at all times should the company appear to be going bankrupt. Is that correct?

**Mr. Bob Christie:** That's correct.

**Mr. Michael Prue:** Okay. The reason I've asked those is that, looking ahead for the next year or so—and I'm not sure whether you will answer this or whether this will switch to the minister. The markets are down approximately, at this time, 40%. If they don't improve substantially—we're all hoping they do, but if they don't—it's likely that we're going to start seeing some pretty ugly solvency valuations. Is this on the horizon? Is this something that we can expect to see with these pension plans?

**Mr. Bob Christie:** There will certainly, depending on the asset mix of the plan, depending on—because, as you noted, they have to file every three years, and depending on what happens by the end of December, all of those things are uncertainties. But it is certainly the case that with the kinds of changes in asset values that we've seen, there is going to be an impact on the valuations.

1630

**Mr. Michael Prue:** Has anyone in the ministry looked at what will happen with these plans should the markets stay more or less where they are today?

**Hon. Dwight Duncan:** The FSCO looks after the regulation; we get reports. As I indicated this morning,

one of the items finance ministers from across the country will be talking about next month is the regulatory framework of pension administration in Ontario and in Canada, and we routinely speak with a number of experts.

**Mr. Michael Prue:** Okay, but I'm worried about contingency plans the government may have or may have to look into should the markets not improve. If the markets stay where they are, we think there's going to be some considerable problem in the next year or up to three years with 40% reductions and the insolvency problems. But if the markets get worse, I hesitate to think what governments may or may not be able to do. Or are you not looking at that yet?

**Hon. Dwight Duncan:** We watch and monitor, all the time, the whole regulatory system. There are a number of checks, balances, requirements within the legislation and regulations governing pensions. As you know, Mr. Arthurs has been doing a report for the government. So we've been looking at this whole issue quite carefully for two years.

Obviously, with the volatility in markets, there's what I guess I would call a heightened awareness of the regulatory environment that our pensions function in. Again, we're going to have a look both to keep the network—obviously keeping an eye on the short-term situation as well as having a good look at the entire environment, once Mr. Arthurs reports later this month.

**Mr. Michael Prue:** There's also the ongoing problem of interest rates being extremely low. The American fed has just reduced their interest rates. I don't remember ever seeing it that low. Although people's retirement savings that are put in loans and government bonds and guarantees are certainly weathering the storm far better, interest rates are so incredibly low that it may be difficult, if not impossible, for the pension plans to be making any money off of these. Is that being looked at?

**Hon. Dwight Duncan:** Again, these plans are subject to regulation. The FSCO continues to regulate the entire system. I'll let Bob go into that in greater detail. Obviously, with the volatility in markets today, I would suggest there's a heightened awareness of the realities that you've talked about among both pension professionals—obviously the people who rely on their pension for their incomes, as well as those who are plan participants still working.

But, again, I would suggest that the regulatory framework that we have in place, along with the oversight by FSCO, allows us to have what I would call a window on what's going on at all times.

As I say, there are two events on pensions that are coming up: One will be the release of the Arthurs report, and then secondly, finance ministers are beginning to discuss the entire regulatory climate for pensions in Canada. I want to stress, this is occurring, and we all said this yesterday—again, there were finance ministers from all political parties at the table. This is being done to look at the nature of the regulatory system. It's not being done out of fear with respect to any or all pensions that are

regulated. It's designed to in part deal with what we've been dealing with in Ontario; they're dealing with in other provinces, as well as the federal government.

Bob, I don't know if you wanted to add anything?

**Mr. Bob Christie:** Just a couple of things. We do monitor the funded position of plans in Ontario, and we produce a report each year that reports on the overall funded status of those plans, and that's available on the website. We certainly look very closely at the valuations that people file with us, either annually for some or every three years for others.

With respect to the impact, there are some things that I should note. In terms of the way in which the assets and liabilities are valued, there are options available to actuaries in terms of smoothing the valuation, smoothing over five years gains and losses etc., that have some capacity to blunt the force of short-term fluctuations. These are long-term plans with long-term assets funding long-term liabilities. These techniques are part of trying to keep that longer-term perspective on the funding requirement.

**Mr. Michael Prue:** You must have anticipated my next question, because it's exactly on that.

The shortfalls in solvency valuations have to be funded every five years or less, and you've just said that that's true. But I want to ask you, in the overwhelming majority of cases, this usually involves having contribution increases, does it not?

**Mr. Bob Christie:** It depends on the nature of the plan, Mr. Prue. In shared-risk pension plans, of which there are some in the public sector, that may be the case. Many industrial pension plans are negotiated pension plans or non-contributory pension plans, so the contributions may be governed by a collective agreement or the contributions are entirely from the employer.

Payments that are made with respect to liquidating a solvency deficit are generally regarded as special payments; they're not part of ongoing contributions. Certainly, if through the governance of the plan people elect to increase ongoing contributions, that will have an effect on the solvency position.

**Mr. Michael Prue:** I understand, and I think everybody understands, people paying into the plan, if they get hit up for more money—they will have an option. I guess most of them will end up paying. They'll grumble, but they'll pay.

But I'm particularly worried about some of the companies, that if the company is supposed to pay and the solvency valuation says it's underfunded—a lot of the companies are in hard times. We have some of them coming forward now asking for government loans and everything. Is that an option? I mean, what are we going to do when a big company comes forward and says, "We're in trouble"? I know what happened to Stelco and I know what happened to Inco. They basically got sold for their pension plans.

**Mr. Bob Christie:** Under the legislation and regulations that we administer as the regulator, the requirements are that we seek those payments from the



company. The company and other companies may well approach those who control the legislative and regulatory structure for change, but as the regulator, those are matters that are beyond our purview.

**Mr. Michael Prue:** It's my understanding—and you can tell me again whether I've got this; I try to read everything I can—that the rules are similar for pension funds regulated by the federal government and that companies have already come before the federal government seeking contribution relief or some other form of relief. I don't know whether it has happened here in Ontario yet, but it certainly has happened federally, has it not?

**Mr. Bob Christie:** I have no knowledge of what approaches may have been made to the federal government.

**Mr. Michael Prue:** Okay. Has it happened here in Ontario yet?

**Hon. Dwight Duncan:** I've read what I've seen in the newspaper, but we haven't had any approaches of that nature.

**Mr. Michael Prue:** So there have been no approaches like that made in Ontario yet?

**Hon. Dwight Duncan:** Not to my knowledge.

**Mr. Bob Christie:** Not with respect to solvency problems that may come about as a result of the market turmoil and solvency valuations that may be filed over the coming months.

**Mr. Michael Prue:** All right. So no company has given any indication that they may be coming before the government—

**Mr. Bob Christie:** I've heard from no one, nor to my knowledge has FSCO heard from anyone.

**Mr. Michael Prue:** Does the government have any type of plan? Have you looked down the road? I'm very nervous about this. I think a lot of people who have pensions are nervous about this. Companies are nervous about this. Even employee benefit plans, the big ones like the teachers' pension and the OPSEU pensions and all—everybody is nervous about this. Does the government have any plans? Are you looking for commissioning any reports other than the ones you've already talked about?

1640

**Hon. Dwight Duncan:** The Arthurs report, I think, is very significant in the long term.

**Mr. Michael Prue:** Yes, that one.

**Hon. Dwight Duncan:** In the short term, we rely on FSCO for advice on the regulatory climate.

We watch with the same kind of interest that you, Michael, and others do, I know, with respect to the performance of markets. We'll continue to operate within the existing legislative and regulatory framework, and continue to monitor what is happening across pensions.

**Mr. Michael Prue:** Just so I'm clear about what happened at yesterday's meeting of finance ministers, was the group set up to do precisely this or not to do this?

**Hon. Dwight Duncan:** The ministers themselves are going to be meeting and sharing information. For instance, we just relayed to you that I have not, nor have

our officials, been approached for assistance by any company or organization that has a pension.

We're going to share information to that effect and have a discussion with the federal minister and our provincial and territorial counterparts with respect to what we're actually seeing, what the implications of the market volatility are, and what all of us collectively would do to respond to any number of scenarios.

**Mr. Michael Prue:** When precisely are this meeting and these scenarios going to take place?

**Hon. Dwight Duncan:** The meeting, I think, is December 12.

**Mr. Peter Wallace:** December 10, 12 or 15 were the days that we were given.

**Hon. Dwight Duncan:** We've got three days we're looking at.

**Mr. Michael Prue:** So that's quite literally within five weeks from now.

**Hon. Dwight Duncan:** Oh, yes.

**Mr. Michael Prue:** Okay, so it's not the long term. Was there any discussion from the finance ministers about whether or not a report would be made, or a press conference held, or how this would be conveyed—your decisions or your ultimate decisions—to the public? There are an awful lot of anxious people out there, and I'm just trying to—

**Hon. Dwight Duncan:** There's normally a communiqué issued after these meetings to indicate what the ministers have agreed to or not agreed to, as the case may be. My sense is, given the nature of the whole regulatory climate of pensions, that this will be the first of ongoing discussions.

There have been informal discussions among the provinces, among the regulators, over time, as normally occur, so I would imagine that those things, after this meeting, once we have a sense of where everybody is at, there would likely be ongoing discussions, just to continue to monitor what's going on—and by the way, not just here in Ontario and Canada, but around the western world.

**Mr. Michael Prue:** Well, I don't think we're any kind of an island here. We all seem to be being whacked pretty much together.

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** Although I must admit to surprise, when I look at the stock markets and the volatility. When we were here last week—the Canadian dollar has gained something like five or seven cents since we were last here. Who would have foreseen that? Who would have foreseen it going down that far, and then who would have foreseen it bouncing back at the same time? I don't know what has happened today. Maybe as I speak, it's down again.

**Hon. Dwight Duncan:** It's up at 86 cents.

**Mr. Michael Prue:** It's up at 86. Okay, there you go.

**Hon. Dwight Duncan:** If I could, though—again, this volatility is something that is rather unique. We've had days of it in the past 20 years, and this comes back to what we talked about, in terms of even the government's

ability to predict its future growth, certainly in the next year and a half.

I think it will pose some significant issues for pension regulators as to how to factor those situations in. I mean, if you see that kind of variance over a week or months—and as you quite correctly noted, there has been, in spite of that volatility, a general downward trend, quite significant.

We will continue to work with the regulators, work with our sister provinces and the federal government to continue to provide the oversight that we think is appropriate.

**The Vice-Chair (Mr. Garfield Dunlop):** You have a couple of minutes, guys, in this rotation.

**Mr. Michael Prue:** Rather than go into my next one, I'll just take 30 seconds. It really has nothing to do with estimates.

I just wanted to thank you for your answer in the House today. I've been here for seven years. Oftentimes, when I ask questions, I do not get quite the same civil reply. It was refreshing, and I thank you for it.

I honestly believe that opposition members have things to contribute, and often that does not happen. Again, you allowed us to contribute at least one idea—or one additional idea, and I hope that the same will be reflected in my additional questions that I have to you later today.

**Hon. Dwight Duncan:** Thanks, Michael. You know, the truth of the matter is that what you pointed out is a very legitimate issue. You've recommended a course of action, and you've done that in the past in good faith. I hope we can do this more often, and hopefully, the tenor of the place, we can work together more on things like that, including places like this, by the way.

**The Vice-Chair (Mr. Garfield Dunlop):** Jeez, we're getting to be one happy family here.

*Laughter.*

**Hon. Dwight Duncan:** I wouldn't go that far.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, thank you very much to the third party. We'll now move over to the government members for the next 20 minutes. Mr. Naqvi?

**Mr. Yasir Naqvi:** Chair, I'm moving on with the theme of questioning that Mr. Prue was referring to and the minister was referring to earlier from the question period.

**Mr. Tim Hudak:** Go after him, Yasir.

**Mr. Yasir Naqvi:** Just wait on, wait on.

Minister, we were talking earlier about the provincial-municipal fiscal review and the impact on municipalities. One of the other things that is happening lately, as you know, is the MPAC property assessments which have been going on across the municipalities, and one of the concerns I'm sure we have all heard from our constituents is from seniors and the impact that may have on them, given those who live on fixed incomes. I was wondering if you could share with us some of the stuff you and your ministry have been doing in terms of seniors and their property taxes.

**Hon. Dwight Duncan:** Well, first of all, people are receiving their assessment notices. We are, I think, a little more than three quarters of the way through the province. One of the things we did this time that was different from last time—when the assessment notices went out last time, they did the whole province all at once, and MPAC's call centres were overwhelmed with calls. In addition to whatever new information was on the updated assessment form, people had the added frustration of not being able to get through to MPAC to have what were some pretty straightforward questions answered. The Ombudsman made a number of recommendations, and among them was this rollout, if you will, over a period of weeks so that the call centre is not swamped. And so far, that seems to have yielded some benefits.

I think most people in Ontario understand that a change in assessment does not equate to a change in property taxes. The other thing we've done, as you know, is this four-year implementation of that to help smooth out whatever changes will result if a municipality changes its tax rate.

Quite apart from the assessment issue, we've provided a senior homeowners' property tax grant that will be available starting next year. It starts at \$250 and rises to \$500 a year. People have to be 65 and own their own home. Single seniors have to have an income of less than \$50,000, and senior couples would have to have a combined income of less than \$60,000. We estimate that approximately 550,000 senior households will benefit from this.

**Mr. Yasir Naqvi:** Do you have a sense of a time frame as to when that type of tax grant will start distribution?

**Hon. Dwight Duncan:** Next year. Their 2008 income tax form, which is available early in 2009, will have a line on the form for eligible seniors to apply for the grant. A cheque for the grant would be mailed directly to eligible seniors after they submit their income tax form. The Canada Revenue Agency would process their income tax form and determine whether they are eligible and how they would be eligible to receive the cheque based on their specified criteria. So, just for example, single seniors with an annual income of less than \$35,000 and property taxes of \$500 or more would get the maximum grant of \$500 in 2010; single seniors with an annual income between \$35,000 and \$50,000 would get a smaller amount, but similar; senior couples with an income of less than \$45,000 and a property tax of \$500 or more would get the maximum grant of \$500 in 2010; and senior couples with income between \$45,000 and \$60,000 would get a smaller amount.

1650

**Mr. Yasir Naqvi:** Thank you. I'll ask my colleague to ask a question.

**The Vice-Chair (Mr. Garfield Dunlop):** Next question?

**Hon. Dwight Duncan:** Anybody?

**Mr. Yasir Naqvi:** I'll ask the question. I want to move on to business taxes, in particular small businesses.



I was hoping that you could enlighten us as to what kinds of steps the government has taken to cut taxes for small businesses?

**Hon. Dwight Duncan:** Yes. The major one we did was in my spring budget. We've increased the small business deduction from \$400,000 to \$500,000, effective January 1, 2007. That extends the small business corporate income tax rate to still more small businesses. You see, if you come in under that amount, you get a much lower tax rate. I forget what the rate is—

**Interjection:** It's 5.5%.

**Hon. Dwight Duncan:** It's 5.5% instead of the 14% or 12.5%. So it's a big saving. The effect of that is that for those firms that had—instead of it being \$400,000, the limit is now \$500,000, which means that a lot more firms will qualify for the lower tax rate. That was something requested by a range of business lobby groups, including the CFIB and others, and they were quite pleased when the government implemented that.

**Mr. Bob Delaney:** Minister, in your previous budget and, if I recall, in your opening remarks when you came to estimates this year, one of the things that you described was something you have often discussed in the House, which is savings through efficiencies in the government. If my memory serves me correctly, what you described is roughly \$806 million in savings through efficiencies.

I'm wondering if you'd like to elaborate on some of these savings and some of the implications that this may have for the operations of the government, going forward from here.

**Hon. Dwight Duncan:** In the 2004-05 budget, the government set a target of \$750 million over the balance of its mandate; we, in fact, achieved \$806 million. These savings were achieved by streamlining purchasing processes, reducing administrative costs, reducing energy and accommodation costs, improving the use of information technology, and better harmonizing and coordinating government operations.

Our government continues to implement efficiencies across the broader public sector through initiatives such as Ontario Buys, which is a supply chain management program that is expected to save up to \$100 million across the hospital and education sectors which can then be reinvested into front-line services.

The government has also reduced the overall cost of government administration from 15% in 2003-04 to 12% in 2007-08. That is a 20% reduction. Ontario spending on general government services was \$124 per person in 2007-08, the second-lowest rate among all provincial governments.

**Mr. Bob Delaney:** Coming as I do from the 905 belt, where we consider some of our own challenges to be very unique, I want to digress a little bit and talk about another area whose challenges are unique, and that would be northern Ontario. Northern Ontario, in many ways, faces challenges that are diametrically opposite to the very vibrant and fast-growing dynamic region that many of us hail from. I'm wondering whether you would com-

ment on some of the challenges that confront Ontario's north?

**Hon. Dwight Duncan:** Of course, we have both the northwest and the northeast. The northwest has a set of circumstances that are different in some ways from the northeast, challenging circumstances, as do others. Our government has responded to those challenges in a number of ways. Northern communities will all benefit from our \$1.1-billion funding support for municipal infrastructure. I know that Bill Mauro, Mike Gravelle, Mike Brown, David Ramsay, Rick Bartolucci and David Oraziotti will all be in their communities to assist their local municipalities as they get their portion of the infrastructure money, which we anticipate will flow to these communities next week.

Another item of business—a tax cut, actually—was the acceleration of the business education tax reductions that we announced in the 2007 budget by four years for northern municipalities; that is, northern businesses will benefit from total business education tax savings of more than \$70 million over the next three years. This, again, was an item that was called for by the Canadian Federation of Independent Business. It was designed to respond to the unique circumstances of northern Ontario, and we were delighted to be able to do that. It assists those businesses—all businesses—in the north, big and small. Again, it was something that business organizations had lobbied for over a period of time.

We've taken \$25 million to support the creation in Thunder Bay of a Centre for Research and Innovation in the Bio-Economy, which is focused on forestry, and \$15 million over four years towards the establishment in Sault Ste. Marie of a centre for invasive species management. In addition, we have \$27 million over three years for a new distance grant to assist with travel costs for post-secondary students in rural and remote areas. There is a range of these initiatives that we've announced. In addition, there's been over \$1 billion in assistance to Ontario's forest sector, which has been particularly hard-hit, Bob, as you know.

Our government's view is that these investments in northern Ontario benefit all Ontarians right across the province. So it's good to have a member from Mississauga asking questions about the importance of the northern part of our province.

**Mr. Bob Delaney:** After all, I do come from the northern part of Mississauga.

**Hon. Dwight Duncan:** There you go.

**Mr. Bob Delaney:** I'd like to talk a little bit about our province's most vulnerable citizens, which is something that as MPPs we certainly hear about, particularly in challenging times like these. I'm wondering if you would talk about our government's response not merely to the times but also to the needs and the challenges faced by some of the most vulnerable people in the province. Maybe you could put a little accent on some of the things that we're doing for what we identify as high-growth areas as well.

**Hon. Dwight Duncan:** Sure. Let's deal with what we're doing to protect our most vulnerable citizens. In

the 2008 budget, we built on a broad range of services and programs to support vulnerable and low-income Ontarians. Some of the programs and services that are making a difference include the Ontario child benefit, which is the most significant reform of income security programs in Ontario in decades. The Ontario child benefit is a broad-based reform of provincial benefits for low-income families with children. At maturity, the Ontario child benefit will provide an additional \$765 million annually to nearly 1.3 million children in more than 600,000 families.

Minimum wage increases: After a nine-year period during which the Ontario minimum wage was frozen, the McGuinty government has increased it five times, from \$6.85 an hour in 2003 to \$8.75 an hour as of March 31, 2008. The 2007 budget announced consecutive annual increases of 75 cents an hour, which will bring the minimum wage to \$10.25 an hour by 2010.

With respect to affordable housing, which is another key component, we're providing many low-income families with financial support to find a safe, healthy and affordable place to call home. We're doing this through a variety of programs. In the 2008 budget, we included an additional \$100 million in one-time funding to rehabilitate about 4,000 existing social housing units, including energy efficiency improvements.

Also, in terms of social assistance programs, we provide a wide range of employment supports designed to meet the needs of recipients. Ontario has increased social assistance rates by 7% between 2004 and 2007. The 2008 budget introduced a further 2% rate increase in the basic adult and maximum shelter allowances for Ontario Works and Ontario disability support program recipients.

Another key component that we think is designed to help the most vulnerable—including the unemployed, particularly those whose skill sets don't match the 100,000 positions in Ontario that require filling—is an investment in skills and education to provide people with real opportunities for success. My 2008 budget announced the Second Career strategy that helps retrain laid-off workers for jobs in the new economy. It builds on the more than \$1 billion in annual supports already available through Employment Ontario.

1700

Another point is child care. To give young children a strong start in life and help parents balance the demands of work and family, this is again another important issue. A family with net income of up to \$20,000 is eligible for a full subsidy to cover the cost of regulated child care in Ontario.

Those are some of the initiatives, Bob. There are quite a few others, but I know you've got other questions.

**The Vice-Chair (Mr. Garfield Dunlop):** Five minutes, Bob.

**Mr. Bob Delaney:** Thank you very much.

You may want to come back on some of those, but one of the questions I wanted to ask you was about something that was brought up not that long ago in a board of trade discussion that I participated in out in Mississauga. We

were talking about commodity tax issues, which made me wonder what I was doing there, and there was some discussion back and forth that didn't really settle on a conclusion. The issue that was raised, in part, was whether, from the vantage point of the province of Ontario, harmonizing the GST and the Ontario PST would be a good idea, in a manner somewhat similar to the way that the two taxes have been harmonized in Atlantic Canada and are now the HST, which would certainly contribute to the proliferation of alphabet soup to which we are prone already. Some of the discussion was that, yes, there would be consequences, such as some things that are not now taxed by the PST would be taxed by the proposed HST, and that might be offset by—as one fellow said, it also gives us an opportunity as a province to require that such a tax, if implemented, would be folded into the price of the good, which would mean that if you see something on the rack that says \$24.95, it's \$24.95. There was some discussion back and forth on whether that was a good thing or a bad thing. Would you like to comment on some of the pros and cons of harmonizing the Ontario provincial sales tax with the federal goods and services tax?

**Hon. Dwight Duncan:** It's a complicated area. I'll start by identifying what the differences are. What the average Ontarian refers to as the PST, we call the RST, the retail sales tax, in Ontario. The federal goods and services tax is a value-added tax, which means the end consumer winds up paying the cost of the tax. There are a number of economists and others who feel that a value-added tax is a more efficient tax; essentially, tax is consumption, and the end user pays the tax.

The Conservatives, particularly Mr. Flaherty, advocate for the harmonization of the PST and GST. Five provinces have not harmonized; the other provinces have received rather substantial subsidies from the federal government in order to achieve harmonization. We would have to begin hitting consumers with the harmonized taxes. Things like home heating oil, children's clothing or items that are currently exempt would begin to draw tax. We've chosen not to do that, in spite of the repeated urging by the Conservative Party, particularly by Mr. Flaherty. We think that's the wrong step in the Ontario economy today. Jack Mintz released a report not too long ago, by the way, advocating value-added tax and acknowledging that the hit on growth in the first couple of years of that would be quite substantial to the Ontario economy. So we don't envision moving in that direction, even though, again, the Conservatives, led by Mr. Flaherty, continue to push us in that direction, publicly stating it. We just think that at this point in time, taxing home heating oil, children's clothing and a number of other items is not in the province's interests.

The other thing that's interesting as you learn about this is, if we were to harmonize exactly at existing rates and cover a broader range, we would actually lose revenue. It has to do with the GST credit and a number of other things that are built into it. So, it shifts the burden away from businesses to small consumers, in my view; it



taxes a number of goods and services that aren't presently taxed; and in spite of a number of economic arguments that are put around a value-added tax, we, unlike the Conservatives led by Mr. Flaherty, don't think this is the time to undertake that kind of tax increase, particularly on things like home heating oil and children's clothing.

**Mr. Bob Delaney:** In other words, if it were done and required a subsidy, hypothetically we would have to subsidize it ourselves.

**Hon. Dwight Duncan:** That's another way of looking at it.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, you've got your comments in for that round. Next, we'll go to the official opposition. Mr. Hudak.

**Mr. Tim Hudak:** One last question on my line of questions from this morning: Minister, you indicated in the media, with respect to Ontario receiving equalization payments, that it will be short-lived. What's your expectation of how long we'll be receiving equalization?

**Hon. Dwight Duncan:** It's hard to say. Interestingly enough, the federal government hasn't yet provided us with the equations as to how they're modifying the formula, so it's difficult to say precisely. What we know is that the factors that go into it—remember that there's a three-year moving average, two-year delays. The way it's calculated—the way it's gerrymandered; it's a gerrymandered equation, and I think that most of the experts I've read have talked about that. Based on what we think they've done—again, it's funny that they won't provide us with the equations and the changes they've made—they are constraining the growth in equalization, something we have supported historically and continue to support. But until such time as they provide us with how they calculate it, it will be difficult to say how they arrived at this year's—well, next year's—number. If you read the release they put out—we haven't received those today, have we? I should just clarify that as of this morning, we hadn't received them, and we still haven't received them since we came over here. We'll await that, but again, just looking at the factors and looking at where things are and how they might go, it's difficult to say, but I'm more optimistic than Mr. Flaherty about the strength of our economy.

**Mr. Tim Hudak:** I want to follow up on a line of questioning my colleague Mr. Hardeman from Oxford had with the Minister of Agriculture when she was before our committee a little while ago. I know you might not have this at hand, but it does concern a program you announced, so if you have a chance to get back to me, if you don't know off the top of your head—this is the funding to help our cattle, hog and horticultural farmers under the current market circumstances.

On December 13, 2007, when you announced this funding, you said: "Many Ontario farmers have faced particular challenges related to the Canadian dollar. The McGuinty government will provide \$150 million in new dollars to strengthen competitiveness and help cattle, hog and horticulture farmers manage the current market con-

ditions." I want to stress, "the current market conditions," When Minister Dombrowsky was before committee, it was indicated that when the program was implemented, the province used a cut-off: You had to be in business in one of these industries before 2004 in order to qualify. If the goal was to help farmers in current market conditions, why were you looking at those who were farming in 2004?

**Hon. Dwight Duncan:** You'll have to ask the Minister of Agriculture that. I can tell you that we did provide the money. The pork farmers particularly had a horrible year—there was a combination of circumstances—as did the horticulture guys and the beef guys. Ag sets up these rules. I'm going to have to defer answering that to my colleague the Minister of Agriculture.

Suffice to say, I believe the money has gone out; I stand to be corrected on that. I believe it has benefited a number of farms; I have attended at a couple of them. With respect to the rules around qualification, I will relay your question to my colleague the Minister of Agriculture and ask her to respond to you.

**Mr. Tim Hudak:** Thanks. Maybe you could help reconcile, because when you announced the program it was for "current market conditions," and the program resulted in a number of farmers who actually were no longer in the business—some were retired, some were deceased—receiving funds from that program.

What it also meant was that some farmers who had recently gone into business, or young farmers who got into business post-2004, are dealing with the tough circumstances you mentioned but were not eligible for this program.

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**Hon. Dwight Duncan:** My experience in these things, Tim, and I know yours over the years, is that sometimes there are reasons for implementing these kinds of procedures that aren't necessarily evident to those of us who aren't part of it. I'm going to defer again to my colleague the Minister of Agriculture, Food and Rural Affairs and undertake to ask her to respond to that question.

**Mr. Lou Rinaldi:** On a point of order, Mr. Chair: I would inform my colleague in the opposition that if he will refer to the answer when the Minister of Agriculture was here, that was dealt with fairly specifically. I'm just trying to save some time, but those same questions were asked, and I think the minister provided pretty detailed information on how the program evolved, how the selection process went and how the money was—I'm just trying to expedite things.

**Mr. Tim Hudak:** Thank you. I remember, and I was listening. The point I'm trying to make is that Minister Duncan announced this funding in December 2007 and described it in a certain way, and at the end of the day, when the program was allocated and completed, it didn't exactly fit with his description. So I'm trying to reconcile what happened and if the minister has any plans to address those individual farmers who didn't qualify because they have been in business since 2004. I know

that level of detail may not be readily available, and I'd appreciate the minister getting back to me on that.

Following up on some of the questions my colleague Mr. Prue was asking around pension benefits, there's the Ontario pension benefits guarantee fund, if I remember the title properly. How much is currently available in that guarantee fund?

**Hon. Dwight Duncan:** Bob?

**Mr. Bob Christie:** I don't have the exact figure. I believe there's something over \$100 million in assets, but there are also claims against those.

**Mr. Tim Hudak:** Again, if you don't mind getting back to the committee with those facts: how much in assets and the claims that are currently launched against the pension benefits guarantee fund.

Help me with my recollection—I think Mr. Christie will probably remember too. In the early 1990s a number of firms were given exemptions from contributions under our "too big to fail" clause, or whatever was the proper title for that. Do you know, off the top of your head, which companies that involved?

**Mr. Bob Christie:** The three companies were Algoma, Stelco and GM.

**Mr. Tim Hudak:** Is that it? There have been none since?

**Mr. Bob Christie:** No, sir.

**Mr. Tim Hudak:** Do we know the value of the claims those pension funds, those three big ones, would have on the guarantee fund if they failed?

**Mr. Bob Christie:** Algoma and Stelco are no longer covered by that. When they restructured, that coverage lapsed, if you like. I think that the claims, if there were any in those two cases, are matters of public record. In the case of the remaining one, General Motors, I don't have a figure for that. It would require a number of assumptions and would be quite hypothetical and require some pretty specific information about individual entitlements in the plan. It would be very difficult to—

**Mr. Tim Hudak:** Okay.

**Hon. Dwight Duncan:** If I could, I know that part of the discussions the government of the United States is having with General Motors is around the pension liability issue on General Motors's balance sheet. Again, we're not privy to those discussions. We're watching them carefully. We've asked the federal government to communicate with the government of the United States. To my knowledge, they have not. But again, we're watching those. There's been no indication to us that GM would access this facility at all; no indication that is lurking. However, we have seen the media accounts of what is going on in the United States and the willingness of the government of the United States to work with the automotive sector as they restructure their balance sheets and income statements.

**Mr. Tim Hudak:** To the minister or Mr. Christie: In terms of analysis, have you seen an increase in requests to the pension benefits guarantee fund?

**Mr. Bob Christie:** If there has been an increase, it hasn't been significant as yet. There have certainly been

several in the last few years, and I'd have to go back and look at the numbers, but it's not my sense at the moment that there's been a marked uptick. But I can certainly go back.

**Mr. Tim Hudak:** Has the ministry done any type of analysis, given the loss of manufacturing jobs, for example, in the province and the challenges impacting on that sector particularly, on whether the pension benefits guarantee fund may be fully subscribed in the near future? Is there a risk to the funds that currently reside within it?

**Mr. Bob Christie:** First of all, I'm not aware of any work that the ministry may have done in that regard, and others may be able to answer that.

Secondly, the state of the pension benefits guarantee fund and its future was one of the matters that the government asked Mr. Arthurs to address in his report. Associated with his work, there has been a good deal of thought given to the pension benefits guarantee fund—

**Mr. Tim Hudak:** So we could expect, in Professor Arthurs's report, that there will be an update on the status of the guarantee fund, and then ways to address risks to it?

**Hon. Dwight Duncan:** I am not in receipt of Mr. Arthurs's report yet. I haven't read it, so I don't want to prejudge what he's going to have in it. But obviously, that will be available publicly. I'll ask Peter to quickly address what the ministry has done.

**Mr. Peter Wallace:** Obviously, with respect to any of our significant programs, we keep an ongoing policy of ensuring we stay on top of them. As the minister mentioned, we're reaching out to fellow provinces, and particularly the government of Canada, in terms of their understanding of pension pressures as they evolve.

It is worth noting that the events of the last six or eight weeks have been, frankly, really quite sudden.

**Mr. Tim Hudak:** I'm sorry—what?

**Mr. Peter Wallace:** Quite sudden.

**Mr. Tim Hudak:** Yes.

**Mr. Peter Wallace:** Quite different and quite marked. In that context, relative to this and other programs, we will continue to ask the right questions and try to stay on top of the key measures associated with them.

**Mr. Tim Hudak:** Just to refresh my memory, in terms of Professor Arthurs's mandate, is analyzing the current status of the pension benefits guarantee fund and addressing any risks to it incorporated in his—

**Hon. Dwight Duncan:** Let me just double-check.

**Mr. Tim Hudak:** Yes, for sure.

**Hon. Dwight Duncan:** Yes?

**Interjection:** Yes.

**Hon. Dwight Duncan:** Yes, it is.

**Mr. Tim Hudak:** Okay, terrific. Thank you.

Mr. Christie, thank you very much.

Minister, I want to turn to the Fiscal Transparency and Accountability Act, 2004. Specifically, section 4 of the act dictates what would happen with respect to balancing the budget. I'll just read subsection 4(1):



"For each fiscal year, the executive council shall plan for a balanced budget unless, as a result of extraordinary circumstances, the executive council determines that it is consistent with prudent fiscal policy for the province to have a deficit for a fiscal year."

Did the executive council then give you authorization to announce the deficit in the economic statement?

**Hon. Dwight Duncan:** Yes.

**Mr. Tim Hudak:** Okay. How did you define it? I was trying to ascertain if any regulations have come forward or anything had been gazetted from cabinet on how you defined "extraordinary circumstances."

**Hon. Dwight Duncan:** The act doesn't deal with that. It's largely, I guess, an interpretive matter by the government of the day.

**Mr. Tim Hudak:** Because that's a concern that I'm raising, right? You use the language in the act, "extraordinary circumstances," but through regulation or other parts of the act never define what "extraordinary circumstances" are. In your view, what are extraordinary circumstances?

**Hon. Dwight Duncan:** I think the circumstances today are pretty extraordinary, number one. Number two, governments have the mandate to conduct the affairs of the province in the way they deem appropriate. You, as opposition, have the right, obviously, to oppose that.

The Fiscal Transparency and Accountability Act gives, I think, a much greater degree of accountability. We chose, as soon as we became aware that it appeared as though we were tracking to a deficit, to acknowledge that reality through the fall statement.

I think governments around the country are wrestling with that very issue. A week before the federal election, for instance, Mr. Harper and Mr. Flaherty swore up and down there would be no deficit, and then after the election they indicated there's a real possibility of a deficit; in fact, next year. Mr. Flaherty reaffirmed that at the finance ministers' meeting.

In the interests of accountability to the public, we made the determination that there were extraordinary circumstances. I don't know that you could nail down a definition of "extraordinary circumstances" in a regulation that could cover all—I mean, nobody would have envisioned what has happened in the world in the last six weeks. So I think there is an extraordinary circumstance out there. I think most people would agree with that. We have chosen to run a managed deficit and I suspect we're going to have a good deal of company in that area. We certainly see it in the United States and across state jurisdictions. We are certainly hearing more and more indication of that in Canadian jurisdictions and we'll continue to monitor what happens.

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**Mr. Tim Hudak:** Did you define in any way in your presentation to cabinet what "extraordinary circumstances" constitute?

**Hon. Dwight Duncan:** You know that I can't reveal cabinet discussions.

**Mr. Tim Hudak:** I just thought I'd ask.

**Hon. Dwight Duncan:** Good try. I'd have to shred you if I told you, Tim.

**Mr. Tim Hudak:** The challenge here, Minister, obviously, is that it says under extraordinary circumstances you can run a deficit, and obviously this is the first time this part of the act will be used since it was passed. It sets a precedent going forward. So that's why I'm wondering, then, in your interpretation, what's the bottom line for extraordinary circumstances? Where do you draw the line?

**Hon. Dwight Duncan:** I certainly think we're witnessing unprecedented extraordinary circumstances today. I wouldn't want to establish that definition, because I just don't know what's going to happen in the future. Some day, you may be back in office and be faced with a set of circumstances that nobody could have envisioned. I think people elect governments to make those determinations. I think we've done so in what I would call a prudent and responsible way, and I think that we've lived up not only to the letter of the transparency act, but also to the spirit of the act, and accordingly have made the decisions we've chosen to make.

**Mr. Tim Hudak:** Does a 1% drop in revenue count as extraordinary circumstances?

**Hon. Dwight Duncan:** When it's into the multi-billions of dollars, yes, and when you see the variance in corporate tax revenues and so on. Again, it would depend on the nature of the circumstance. So I'm not going to define it clearly. What I will say is that an extraordinary circumstance is what's happened in the world economy and how it's impacting on Ontario, particularly in the last six weeks, although I think, arguably, there's an element of extraordinary circumstance that's gone on over the course of the last year.

**Mr. Tim Hudak:** Subsection (3)—

**The Vice-Chair (Mr. Garfield Dunlop):** Three minutes.

**Mr. Tim Hudak:** Thank you, Chair. Subsection (3) of the same section:

"Recovery plan

"(3) If the executive council plans for a deficit for a fiscal year, the executive council shall also develop a recovery plan for achieving a balanced budget in the future and the recovery plan must specify the manner in which and the period within which the balanced budget will be achieved."

When can we expect that recovery plan?

**Hon. Dwight Duncan:** In the budget, normally. For instance, when we inherited the \$5.5-billion deficit that your government left, we spelled out how we would get out of the deficit, the time frame over which we would do it, and we achieved that. I would likely suggest that we'll see that in the next budget.

**Mr. Tim Hudak:** So we'll see in your upcoming spring budget when the province will return to the black and how it will be achieved?

**Hon. Dwight Duncan:** Based on our best projections at that time.

**Mr. Tim Hudak:** How am I doing there, Chair?

**The Vice-Chair (Mr. Garfield Dunlop):** You've got two minutes left.

**Mr. Tim Hudak:** I'll move from that topic to—I want to go back to page 31 of the actual estimates. This is ministry administration, financial and administrative services, operating. The thing I noticed on the chart on page 31: There is a \$5-million increase in the salaries and wages item for ministry administration, financial and administrative services. This is, on top of that, more than doubling the budget for that allocation from 2006-07. So in a couple of years, you've gone up over \$5 million. Can you explain in these trying economic times, when you're trying to exercise some constraint, how you could justify a \$5.1-million increase in salaries and wages in that part of the ministry?

**The Vice-Chair (Mr. Garfield Dunlop):** Minister, you have a about a minute and a half to answer this.

**Hon. Dwight Duncan:** Yes. Helmut?

**Mr. Helmut Zisser:** Which one is it? Page 31?

**Mr. Tim Hudak:** Yes. The results-based plan briefing book is what I'm referring to. It's vote 1201-1, sub-item 2. Again, ministry administration: The item is financial administrative services.

**Mr. Helmut Zisser:** Are you referring to the first number at the top of the—

**Mr. Tim Hudak:** Exactly. Salary and wages, which has climbed from actual \$3.2 million in 2006-07 to \$8.8 million in estimates for 2008-09.

**Mr. Helmut Zisser:** The decline from \$12.9 million to \$8.8 million?

**Mr. Tim Hudak:** I'm talking about the increase from actuals to the estimates for 2008-09. The interim actuals for 2007-08 were at \$3.7 million, and your estimates for this year are \$8.8 million.

**The Vice-Chair (Mr. Garfield Dunlop):** Perhaps you might have to get back to him on that.

**Mr. Helmut Zisser:** Yes. I don't have a ready explanation for that one.

**Mr. Tim Hudak:** Okay.

**Mr. Helmut Zisser:** But certainly the subsequent decline is there as a result of the reallocation of funding from the Ministry of Finance to the Ministry of Revenue at the time that ministry was created, so the monies were shifted to the new ministry.

**Mr. Tim Hudak:** I'm looking to compare the actuals that were spent with your estimates for this year.

**Hon. Dwight Duncan:** We'll get back to you. My sense is these have to do with the separation of and re-integration of the Ministry of Revenue.

**Mr. Tim Hudak:** Okay. Maybe next round, Chair. I know it's a bit of a detailed question.

**The Vice-Chair (Mr. Garfield Dunlop):** All right. So we'll get back for clarification on that. We'll finish off the day with 20 minutes to the third party. We might have a vote there at 10 to 5.

**Mr. Michael Prue:** I have a number of questions relating to access to credit, but before I get there, there was a question raised by Mr. Naqvi about seniors. You responded at some length about the government pro-

grams for seniors and the availability of \$250 this year, \$500 next year. One thing that I have never heard an explanation for, though, is for a senior to qualify, they must not have any outstanding taxes owing. I'm just wondering about the rationale.

**Hon. Dwight Duncan:** Steve, can you respond to that, please?

**Mr. Steve Orsini:** My name is Steve Orsini, assistant deputy minister, office of the budget and taxation.

To qualify for this program, a senior has to file a tax return for the prior year and has to meet a number of conditions in terms of paying property tax and having an income, as the minister mentioned, below certain thresholds.

I will need to confirm as to whether or not they need to have their taxes paid—a lot of times we have set-off programs; you only get a grant if you've paid your other taxes. In this case, I'd need to confirm that. I don't think that's the case, but I need to follow up on that.

**Mr. Michael Prue:** I just can't put my finger on it now; I didn't come prepared for this question. But when Mr. Naqvi asked it, it seemed to me that one of the conditions in which a senior could only be eligible is if there was not an outstanding tax arrears, taxes that they still owed to the municipality from the previous year.

**Mr. Steve Orsini:** For their property tax?

**Mr. Michael Prue:** Property tax.

**Mr. Steve Orsini:** That's separate and distinct.

**Mr. Michael Prue:** Okay.

**Mr. Steve Orsini:** They have to have paid their property tax. I think you're raising a point. If they haven't paid their property tax, that would be a condition of them qualifying for the program.

**Mr. Michael Prue:** This is what I do not understand. You have seniors who are in some considerable financial stress. They have not been able to pay their property tax from the year before, in whole or in part. They are now under increased stress. These would seem to be precisely the seniors we should be seeking to help rather than to say, "You're not eligible."

**Mr. Steve Orsini:** If they pay their property tax, let's say, a year later, they can refile. The condition is you have to pay your property tax and then, in return, you get a grant up to \$250.

**Hon. Dwight Duncan:** It's essentially a credit against what you pay. We're not crediting against something you haven't paid.

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**Mr. Michael Prue:** Right. But I do have a number of seniors in my own constituency, and I am thinking of one woman in particular. She came to me on one of the coldest days last year, and her property tax was due. She had no heat in the house; the oil company refused to deliver oil to her. She had a cheque in her hand and asked me what she should do. My advice to her was not to freeze to death, to put the oil into the house and to not pay the property tax instalment at that time because she could catch up later, over the summer period—which is precisely what she did. I think I gave her good advice.



Unfortunately, for the balance of the year, although she could pay the other property instalments, she never could fully pay off that one. I'm just worried that a woman like her, who was trying her best to stay in her home well into her 80s, would not be eligible.

**Hon. Dwight Duncan:** People are faced with extraordinary circumstances, there's no question. Our tax policy has to be what I would term broadly fair.

I'm not familiar with Toronto. I know my municipality doesn't move on particularly seniors who are delinquent for quite a period of time. There can be somewhat onerous penalties in interest, which generally—again, my experience with seniors is that municipalities are pretty willing to waive those if there is a genuine situation and if there's a plan in place to eliminate an unpaid property tax. In fact I know, again in the circumstance of my municipality—I'm not familiar with Toronto—there are often very generous repayment opportunities afforded to people over an extended period of time.

I think this is designed to refund something that's been paid. If it hasn't been paid, it's difficult to do that. Once it's brought up to date and a plan is put in place, my understanding is they then can re-file. I think that's appropriate under the circumstances.

**Mr. Steve Orsini:** If you have a specific case, that's something we could look at. I'm not sure of other provisions, as the minister referred to, at the municipal level or in the tax code that might provide some relief, but that's something we could follow up on.

**Mr. Michael Prue:** It's not just one specific; this is the one that instantly comes to my mind, but there are many seniors out there who have not been able to keep up totally with their property taxes.

**Hon. Dwight Duncan:** Yes, and I don't think you or we can hold out that we can help everybody keep up with their property taxes. This isn't designed to do that. This is designed to assist people as they make their property tax payments in what we think is a balanced and prudent way that recognizes particularly the challenges with assessment changes, with the challenge more particularly with municipal property tax changes that exceed perhaps what they may be seeing in their income. If somebody has a problem making all those payments, this wasn't designed for that, nor can it, nor could any government of any political stripe offer a program that could do that.

**Mr. Michael Prue:** No, I'm not suggesting that. Perhaps I'm not explaining this well enough. A person misses one payment out of sometimes six, sometimes 12 payments, and they have never been able to catch up on that one payment. They are otherwise fully paid up, but they always seem to be one month behind because the choice was oil and not freeze to death. This is just one woman, one payment behind—she's been one payment behind now for a year, and she is not eligible. It's a matter of maybe a couple of hundred dollars, if it's even that.

**Mr. Steve Orsini:** We can always come back with clarification, but if I understand your point, if they're

paying their property tax up to a certain amount for the year and they file their tax return, they're supposed to record how much property tax they paid that year. If they paid most of it, they'll be able to file the return and show the amount of property tax that they've claimed.

**Mr. Michael Prue:** Even though they haven't paid all of it?

**Mr. Steve Orsini:** Even though they haven't paid—

**Mr. Michael Prue:** That's what I needed to hear.

**Mr. Steve Orsini:** No. If they didn't pay—I understood that they didn't pay any of it.

**Mr. Michael Prue:** No. They paid as much as they could.

**Hon. Dwight Duncan:** As long as it's over \$500.

**Mr. Steve Orsini:** It's tied to their level of income as well.

**Mr. Michael Prue:** You don't have to worry, in Toronto, about them paying \$500.

**Hon. Dwight Duncan:** No, but I'm just saying that's one of the criteria. You're not going to get a credit for more than what you paid, is essentially what it says.

**Mr. Michael Prue:** Okay. It took a long time to get to that.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, you've got 12 minutes left, just so you know.

**Mr. Michael Prue:** All right. Access to credit: My understanding—and again, this question was asked in the House today, so it might be a little bit redundant, but I'd like to get some clarification, because I think the answers we get here generally are superior to the one-minute answers we get in the House. My understanding is that in the past week, two letters have been released by manufacturing groups, pleading with the government to provide short-term credit assistance. One came from the auto parts association, and that went to the federal government, although I understand that the Ontario government has a copy of that, and one from Jayson Myers, on behalf of the coalition of manufacturers.

You said in the House today, or someone said in the House, that they were aware of these letters. Media reports have quoted Mr. Myers's letter saying, in part, "Credit is still not available for many of our businesses," and went to say, "We urge your governments"—"governments," in plural—"to introduce temporary guarantees for loans and lines of credit, so that our financial system works for otherwise credit-worthy businesses facing the prospect of a sharp downturn in demand."

Other countries are giving billions upon billions of dollars to banks and other credit agencies. I'm not sure, and I'm not aware of how many are going directly to businesses. Is Ontario contemplating any actions to assuage the fears of Mr. Myers and others?

**Hon. Dwight Duncan:** There is no other country at this point in time that is doing that, that I'm aware of. I stand to be corrected on that.

You do raise a valid question, and that is access to liquidity and access to credit, and it is an increasing concern. A number of finance ministers addressed this issue yesterday in Mississauga, when we met. It's something

we're hearing not just from the automotive parts sector, but others, and that is the willingness of banks to lend, whether it's to back up receivables—for instance, I've been dealing with a very profitable company that is partly in the automotive parts business that will oftentimes have receivables in the \$60-million to \$100-million range from the Detroit Three. Banks are not backstopping that work because of the uncertainty in the Detroit Three.

We have provided a number of programs, including the capital tax elimination, but we are not prepared today to make the kind of commitment that some are seeking in the absence of the federal government, as is the case in the United States and the European Union, defining a broader response. You're probably aware that the European Union Commission has directed a report back by the end of December with respect to these issues. We have, in turn, over the course of the last several years, set up a number of funds to assist. One of the undertakings we made was the retroactive elimination and refunding of the capital tax to manufacturers this year. But I would concur with you: There's certainly a liquidity problem, in my estimation.

Part of the other challenge—you can't look at the auto parts manufacturers without looking at the Detroit Three, particularly in Ontario. If there's nobody to sell your parts to, or they're not buying them, it becomes a more challenging scenario.

I think it's incumbent on the federal government, as they have in the past, historically, given the significance of the industry. Even though it's concentrated in Ontario, the significance of the industry to the Canadian economy and to Canadian employment mandates, in my view, that the federal government come to the table. I said today in scrum—I applauded some of Mr. Layton's comments on that particular issue this week, or today and yesterday.

We have not come to terms with that. That letter was sent, as you quite correctly note, to the Prime Minister of Canada. Clearly, Ontario has an interest in this. We continue to work both with original equipment manufacturers—tier 1, tier 2 suppliers—and we take their concerns very, very seriously. Again, I can relay to you that this issue of liquidity, whether for auto parts suppliers or other businesses, is something finance ministers from around the country raised yesterday. Do we have an answer right now to that letter? No. It's a deep, complex issue that could have enormous cost, and we're going to work with the industry through these challenging times.

But again, Michael, I would suggest that unless the federal government comes to the table in a very substantial way, it would be difficult for the province of Ontario to respond.

1740

**Mr. Michael Prue:** I understand that. A scenario, which is no longer available to us—way back in the 1930s Mitch Hepburn set up a bank, or it was—

**Hon. Dwight Duncan:** The Province of Ontario Savings Office.

**Mr. Michael Prue:** —the Province of Ontario Savings Office, which was, unfortunately in my view,

sold off a number of years ago. If we still had access to such a savings office, could the Ontario government have done or contemplated doing something?

**Hon. Dwight Duncan:** I don't think so; not on the order of magnitude you're talking about. POSO—I forget what they had on deposit. Again, it was a highly regulated financial institution. These are, by definition, high-risk. I'm not sure that depositors with POSO would want their life savings to be invested in receivables to, say, an auto parts company to back it up. So I think the short answer is, no, that's not the answer. Even back in the early 1980s, the last time we saw this kind of turbulence, the governments of the day—at that time, it was the government of the United States, the government of Canada, the province of Ontario and the state of Michigan—chose to deal with the OEMs to ensure that a market existed for the products that the parts makers produced.

Again, this is a much bigger question. We are very cognizant of the real challenges faced by the parts guys. I met with a number of them over the last couple of weeks, and I'll say again here, as I've said publicly, that before Ontario could do anything, before we could even begin to contemplate this whole liquidity issue in both the automotive and the auto parts sectors of our economy, the federal government would have to be at the table, and would have to be at the table in a very, very substantial way. Failure on the part of the federal government to do that would make it impossible for Ontario to do it.

**Mr. Michael Prue:** Okay. You said that you've met with some of the auto parts manufacturing people and others over the last couple of weeks—

**Hon. Dwight Duncan:** Individuals.

**Mr. Michael Prue:** Have you met with Mr. Myers?

**Hon. Dwight Duncan:** I have not. I believe that my colleagues have. Again, we have an ongoing dialogue with the sector. Just before I came in here, for instance, we were looking at some applications under the Next Generation of Jobs Fund, which is designed to help with what we call the next generation of jobs. So this government has an ongoing relationship with those organizations. In fact, Mr. Myers has been working with the government on the manufacturing sector. My colleague the Minister of Economic Development can talk at greater length about that. We take their concerns very seriously.

**Mr. Michael Prue:** When the working group was set up, the finance ministers, during the past few days, was this aspect discussed?

**Hon. Dwight Duncan:** Yes, this will be one of the four things that we're going to talk about again in December: the whole issue of liquidity.

**Mr. Michael Prue:** Terrific. Okay. Is there still time left, Mr. Chair?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, you have about four minutes.

**Mr. Michael Prue:** Again, on this same issue, I understand that we desperately want the federal government to intervene, to be part of or to put some major money forward, or whatever, but in the past this gov-



ernment has taken a pretty laissez-faire approach to helping businesses other than general tax cuts. Given how little they've done for the auto sector in the past, and given the ideology, it's likely that they're not going to come to the table to give any kind of short-term credit to the auto sector—at least in my view. Does the government have any contingency plans, should you not be able to convince the federal government?

**Hon. Dwight Duncan:** Let me be crystal clear: In the absence of the federal government, we cannot be part of it. It's incumbent upon the federal government to respond first. I don't think I can be any clearer than that. I've been that way, publicly. From a constitutional perspective through to the revenue base that they have available to them, not to mention the regulatory expertise in terms of lending, in terms of that sort of thing, I can't be more clear that if the federal government is not at the table in a substantial way, Ontario cannot be there and will not be there alone.

**Mr. Michael Prue:** I don't want to push the issue too much, but it appears to me that because we—

**Hon. Dwight Duncan:** Michael, if I could just—my deputy raises another point that's very valid.

**The Vice-Chair (Mr. Garfield Dunlop):** You have two minutes. Go ahead.

**Hon. Dwight Duncan:** I'll be quick. It's also a competitive disadvantage when the government of the United States is providing assistance. I didn't make that point clear either, so I just wanted to add that.

**Mr. Michael Prue:** That's the whole reality here, and this is what I'm worried about in our auto sector, given what is happening with our chief trading partner. These automobiles go back and forth, and I'm worried that at some point, as their economy contracts—and we saw the auto sales down 35% in the United States and actually up in Canada—we are going to be the net losers here, even more so than them, unless we have a policy.

**Hon. Dwight Duncan:** As it is in the United States, it has to be the federal government taking a lead. Ontario will do its part, but in the absence of the federal government, we can't compete with the \$25 billion the United States government has put on the table to help with achieving the CAFE standards. We've had anything but a laissez-faire policy, by the way: \$500 million, which has leveraged more than \$7 billion—

**Mr. Michael Prue:** I didn't say we had one. I'm talking about the federal government, which has had a total laissez-faire policy. That's why I think we have to do something.

**Hon. Dwight Duncan:** Well, we can't, in the absence of the federal government. We have neither the resource base to compete with the government of the United States, nor the capacity internally. I can't stress this enough: The federal government's silence at this point in time, in the context of what's going on in Washington, I think, is a real threat to our automotive sector. The government of Ontario does not have the capacity to operate at this level alone. The amounts of money are staggering. The potential debt to the people of Ontario is simply

something that we cannot, in and of ourselves, sustain, so it is essential, imperative, that the federal government come to the table. In the absence of that, one province of 13 million people cannot compete with the government of the United States. Therefore, it's absolutely essential, in my view, that the federal government come to the table in what I would term a meaningful way. Ontario will participate if they're there and we'll negotiate, if it comes to that, what our fair portion would be, but to say that \$400 million to be spread across the country for industrial purposes comes anywhere near the challenges that I have a very strong inkling are going to be coming our way in the next several weeks and months, I think, is completely unacceptable. I welcome your comments and your support on the issue.

**The Vice-Chair (Mr. Garfield Dunlop):** That concludes the NDP's time. The government members will carry on for a few minutes here till the bells start to ring. Mr. Naqvi.

**Mr. Yasir Naqvi:** Minister, I'm going to pick up on the conversation that Mr. Hudak was having with you about deficits and your announcement in the fall economic statement, which I'm sure was a difficult issue for you to talk about: the projected deficit of \$500 million that the government will be incurring in the upcoming year. I'm sure that you and your staff and the department did extensive consultations to arrive at that decision, so I was hoping that you could enlighten us as to whom you were seeking advice from, in terms of the economists you were talking to, and what advice you received vis-à-vis the projected deficit.

**Hon. Dwight Duncan:** I've met with what I would call the 12 leading private sector economists, I've met with the CEOs of most of our major banks, I've met with a number of other leaders in the automotive sector, and others. This is part of our ongoing work.

Let me read into the record some commentary from those economists, just so that we can get it on the record. I'll start with some editorials.

This is a quotation from the *Globe and Mail* of October 17, 2008: "It would be far more devastating to the economy if, to avoid a deficit, the government pulled the plug on many of the programs that hefty surpluses in recent years permitted."

Henry Jacek, a McMaster University political science professor, is quoted in a CP article of October 16 of this year: "It's hard to imagine how any government in North America, given the economic situation, is not going to be in deficit next year."

Another *Globe and Mail* editorial from October 17: "Adhering rigidly to debt reduction targets during an economic crisis is unwise policy and unwise politics."

Mr. Chair, I'm in your hands. I don't know how long this bell is.

**The Vice-Chair (Mr. Garfield Dunlop):** I'll give you a couple of minutes to finish the answer.  
1750

**Hon. Dwight Duncan:** How long? A number of us would like to be in the House for that vote.

**Mr. Michael Prue:** I do believe it's a five-minute bell.

**Hon. Dwight Duncan:** It's a 10-minute bell.

**The Vice-Chair (Mr. Garfield Dunlop):** What would your preference be? A couple of more minutes?

**Hon. Dwight Duncan:** I'll keep going, then.

Here's what Don Drummond, chief economist for the TD Bank, says: "I don't think it's appropriate to raise taxes or slash spending to try to avoid a deficit." Mr. Drummond is one of those 12 economists that we meet with regularly.

Here's what Doug Porter, chief economist at BMO, had to say: "If a deficit is caused by the fact that the global economy is struggling mightily rather than by overspending, then a deficit is something we probably have to accept."

Again, Don Drummond from TD Bank: "Given that this is not probably just going to be a one-year wonder, it is not appropriate to mount a fiscal stimulus at the time when the economy is going to be hitting its weakest point."

Don Drummond again: "We almost seem more interested in the deficit than we are in jobs and income growth, which is pretty bizarre."

Paul Krugman, Nobel economist—this year's Nobel prize laureate: "Concerns about the budget deficit should be put on hold. The responsible thing right now is to give the economy the help it needs. Now is not the time to worry about the deficit."

Glen Hodgson, senior vice president and chief economist of the Conference Board of Canada, says: "We can

also accept a short-term fiscal deficit if there is a shortfall in revenues due to much slower economic growth. It would be wrong-headed economically to slash program spending during an economic slowdown in order to attain a predetermined fiscal surplus or balanced target. That action would only make a difficult situation worse."

Mr. Chair, I'm in your hands. I don't know how long—

**The Vice-Chair (Mr. Garfield Dunlop):** It's going to go for another two or three minutes.

**Hon. Dwight Duncan:** Okay. I have one more quote, then. This is from Michael Mendelson of the Caledon Institute of Social Policy: "The problem with deficits is not the mere existence of a financial shortfall. The real problems occur if deficits are too large, if they are built into government budgets as a structural element rather than a cyclical response to temporary conditions, and if they are uncoordinated with economic and monetary policy as a whole."

The overwhelming body of expert advice is that a managed deficit, in these circumstances—not only is it an appropriate policy, it's the right policy, and to do otherwise would do more harm than we otherwise would want to do.

**The Vice-Chair (Mr. Garfield Dunlop):** Minister, I think that's great for today. We got five minutes in. We'll adjourn until tomorrow at 4 o'clock, and the government will have 15 minutes at that point. Thank you to the minister today and thank you to ministry staff.

*The committee adjourned at 1755.*











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## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 18 November 2008

# Journal des débats (Hansard)

Mardi 18 novembre 2008



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Ministry of Finance

## Comité permanent des budgets des dépenses

Ministère des Finances

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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 18 November 2008

Mardi 18 novembre 2008

*The committee met at 0902 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Tim Hudak):** Good morning, members of the committee. We're here to resume the consideration of the estimates of the Ministry of Finance, vote 1201. Minister and Deputy and staff, welcome back.

I know, Minister, the committee members join me in extending our deepest personal condolences on the recent passing of your father.

We have a total of three hours and 43 minutes remaining. When the committee adjourned, it was time for the government members, who have 15 minutes remaining in their 20-minute rotation. Again, we're going from 9 until about 10:15 or so, 10:25, around there somewhere this morning, so the minister can prep for question period.

Mr. Rinaldi, you have the floor. You have 15 minutes.

**Mr. Lou Rinaldi:** Mr. Chair, I just thought that, as you summed it up, we have about 20 minutes left at the end of today for the Minister of Finance. I spoke to Mr. Prue and a little bit to yourself, and I think if we could be prepared to give up whatever the time is, 20 minutes or so, equally according to the three parties, we would like to have the Ministry of Finance folks not come back tomorrow, if it's feasible.

**The Chair (Mr. Tim Hudak):** Yes. As always, there's all-party agreement. Certainly, with 20 minutes left, that will usually happen, sure.

**Mr. Lou Rinaldi:** Okay. Good. Thank you.

**The Chair (Mr. Tim Hudak):** You do have just under 15 minutes now for any questions that you may have for the minister.

**Mr. Lou Rinaldi:** Sure. I think Mr. Craitor—

**Mr. Kim Craitor:** Minister, it's always a pleasure to be here with you. Just a couple of questions, I have.

My questions are going to revolve around infrastructure spending, but last week I had the pleasure of being with my colleague Minister Bradley at Niagara regional headquarters. We invited all the mayors in to a press conference and we had the pleasure of making them aware that we were keeping our commitment to provide them with infrastructure funding and actually presented the cheques to them. I think it was about \$40 million that we presented to a number of mayors, including my mayor of Niagara Falls, that got I think close to \$2 million, and Fort Erie that got about \$1.4 million, and

Niagara-on-the-Lake that got about \$800,000. The region got around \$20 million.

I remember saying to everyone there that even though we're having challenging times as a government and every government across Canada is having the same difficulties, it was important to invest in our municipalities, so we were still keeping our commitment to provide them with this funding. There was a really positive feeling in the room that day from many of the mayors saying, "We really appreciate what your government is doing in terms of the amount of infrastructure funding you've given to us, and you're still committed to us even though you have some challenging times."

I just wondered if you might go over the infrastructure spending during these economic times, which I've mentioned. Do you have any idea how we've directed some of our other money for infrastructure? I'm quite familiar with what we've done in our own areas, but across the province, some of the things that we've done, and what's our go-forward plan with infrastructure funding, even though we're having challenging times?

**Hon. Dwight Duncan:** First of all, you referenced the first ministers' meeting last week where the first ministers seemed to find consensus that, in these challenging times, running deficits in the investment and infrastructure seems to be one of a number of appropriate responses to the challenges in the economy.

Ontario has been hard hit in the manufacturing sector, as you know—in the Niagara region, Kim, and your own town—and not just manufacturing but tourism, which has been dramatically impacted because of a whole variety of factors going back to 9/11. So we laid out a five-point plan and one of those points is infrastructure, because infrastructure has two benefits. One, we do have what we've termed in the past an infrastructure deficit. For years, governments of all political stripes were not re-investing in the hard services that not just municipalities provide but that the province itself provides.

We undertook, some four years ago, a \$30-billion ReNew Ontario undertaking, which is three and a half years into the five-year plan. Now, as we're starting to wind that up, we're starting a \$60-billion, 10-year infrastructure program. You can see it up and down the highways. Whether you're on the QEW, whether you're looking in communities where they're building new hospitals, you're seeing cranes on the skyline.

The beauty of infrastructure, and I think the reason that the first ministers agree, is that, first of all, it creates

jobs in the short term. One of the areas that continues to experience growth, in spite of the challenges in the world economy, is the construction and construction services industry, and that's particularly true here in Ontario. So, because of the challenges we saw in the manufacturing sector some time ago and in the forestry sector, we deliberately accelerated our infrastructure spending, including, I think, a total of \$9.9 billion last year.

0910

The money that you and Jim Bradley announced, and I did in my hometown of Windsor, came out of investing in Ontario. What that was, Kim: The province, for the last fiscal year, determined that if we had an unanticipated surplus, we would allocate the first \$600 million of that to debt reduction, which we did, and any balance over \$800 million would be allocated and apportioned to municipalities across Ontario for infrastructure. That was on top of, I think, an original \$3 billion last year in infrastructure. That money is now in the hands of municipalities. They will set their own priorities on infrastructure with respect to what they want to do with it. They'll have to have the obvious checks and accounting rules and have to show that the money is being spent on infrastructure and so on.

We think we're out ahead of the game because we started down this path some time ago, recognizing the challenges in the Ontario economy, and now others are because they're beginning to see it. We've seen the collapse in the price of oil. The housing markets are falling in Calgary, Edmonton, Vancouver and elsewhere. So the first ministers, I think, all understand.

The federal government has created something called Building Canada. We signed an agreement with them last summer. Minister George Smitherman and I participated in that on behalf of Ontario, Minister Lawrence Cannon and Minister Jim Flaherty on behalf of the government of Canada. There have been some issues around getting that money out the door, and I think the Prime Minister and the new minister, John Baird—one of our former colleagues here—federally have indicated their desire to kind of get that money out the door more quickly, recognizing the challenges in the economy. That will be coming on stream.

The other advantage, as a finance minister, that infrastructure and capital have is that it's one-time spending. You're not building into your ongoing future expenditures. Given growth rates in the economy, or lack of growth in the world, the Canadian and the provincial economies, it's difficult to program in increasing expenditures until we have a better sense of how long we think this current situation is going to proceed. We think, and even the Prime Minister acknowledged yesterday, that deficits in this era to fund things like infrastructure, which is what we've essentially done, are an appropriate public policy tool, provided there's a plan that the deficits are short-term, that once growth returns to the economy, we move back to a period of balanced budgets.

To your point, infrastructure has the short-term benefit of creating a lot of jobs and responding to very real needs in our communities. In the longer term, those infra-

structure projects, whether it's new roads, improved sewers, a new hospital, a rebuilt school or a new school, all enhance Ontario's long-term economic capability, productivity, and will form an important part of our ability to grow in the future. So we think that a managed deficit is appropriate in these times. We think investing in infrastructure and investing in training are two key components of the response that the province can make to the very real circumstances in the world today.

**Mr. Kim Craitor:** Thank you, Minister. I want to follow up with one additional question, and that's to do with the farming sector. Of course in the riding that I represent—Niagara-on-the-Lake, Fort Erie, Niagara Falls—farming is one of the major components. Again, just recently—I'm sure you're aware of it—because of a situation with surplus grapes, Minister Dombrowsky, with the help of Debbie Zimmerman and the Grape Growers of Ontario, came up with a concept of us providing about \$4 million so that they could buy the surplus grapes and then they would be used at a later time to help out the farmers, something that, for the four or five years I've been there, we've really made a commitment to right across the province, not just my riding.

I just wondered if you might touch on some of the things from your perspective, as the Minister of Finance, that we're doing to ease the tax burden that we have for farmers; some of the things that we might be going forward with.

**Hon. Dwight Duncan:** Well, first of all, on the grape situation: We did buy the surplus grapes which, as I understand—and I'm not an expert on that, Kim; you would know a lot more about that than I would—my understanding is that helped both the farmers, all the farmers I should say, and the industry itself in terms of stability and pricing. It represented, in our view, a wise investment of public dollars.

There's a range of activities we undertake with the farm sector, with the ag-rural sector and the small urban sector to help protect the industry itself, but also the way of life. I know in your region I've had the opportunity to meet with and attend a number of the wineries that are gaining enormously good reputations around the world for the product that they put out, and we have taken a number of steps. We've provided money for research to the industry. There are a number of tax advantages available to farmers throughout the federal Income Tax Act as well as through our own tax regime.

One of the measures I hope would have assisted some of the smaller wineries, particularly, is the small business threshold, which we raised to \$500,000. Just to explain that to people, the small business tax rate is much lower than the general corporate tax rate, but once you get beyond a certain income, then you have to pay the higher rate. So we raised the amount of income you have to make, which gave the effect of reducing taxes for a whole lot of businesses. It was suggested by the CFIB. We implemented it, and it has been very well received. I believe we now have, if not the highest threshold in Canada, the second-highest and still one of the lower rates on the small business tax rate.



So to my way of thinking, that was particularly helpful. As I say, our government did take the pretty extraordinary step, as I understand, and I don't know if it's happened before. When we bought up these surplus grapes, my recollection, Kim, of that situation was that there were a number of special circumstances that came to play in that situation. We were delighted to be able to be of assistance. I think it shows, where government working with, in this case, the farmers and an industry in a proactive fashion can help deal with difficult circumstances, protect the industry and protect its viability. I think that motivates us in all of our dealings with the private sector.

**Mr. Kim Craiton:** Thank you.

**The Acting Chair (Mr. Lou Rinaldi):** About two minutes.

**Mr. Kim Craiton:** Two minutes. Just one very short question, and that's to do with the auto industry and of course, again, in our riding, but also Windsor and a number of ridings throughout the province who have auto. We have General Motors down in Minister Bradley's and my riding as well. So I just wanted, quickly, from you: You were at the first ministers' meeting, and with some of the news that we've been listening to and hearing lately, do you have any sense of what the federal government is more open to in terms of assistance to the auto sector, what their feelings are?

**Hon. Dwight Duncan:** Yes. Both the Prime Minister and Minister Clement have now indicated a willingness, on the part of the federal government, to participate in some form of assistance to the automotive sector. The structure of that and the amount of it are yet to be clarified. I'm pleased that even after here two weeks ago, when the federal government at the time was not prepared to support moving forward, they've now, I think, understood what is happening in that sector and the extreme importance it has, not just to the Ontario economy but the Canadian economy. I'm pleased with what we're hearing both from the Prime Minister and Minister Clement about their willingness to work with the industry, as, by the way, they're doing in the United States, in the European Union and in Australia.

Our colleague Michael Bryant, the Minister of Economic Development, I think has made a very good point: We have to be at the table when the US government, whether it's through the existing loans as part of the Energy Act, is looking at assisting the industry, whether it's through the existing loans as part of the Energy Act or, as President-elect Obama seems prepared to do, through additional lending over and above that, if only to protect and ensure that the "footprint," as they've described it to me, the Detroit Three—and I've met with the leaders of the Detroit Three throughout the last several weeks, just keeping up to date—

**The Acting Chair (Mr. Lou Rinaldi):** Sorry, if you could wrap up.

0920

**Hon. Dwight Duncan:** So yes, they appear to be willing to help. What precise form that will take, we

don't know yet, but I'm very pleased with the progress that has been made.

**The Acting Chair (Mr. Lou Rinaldi):** Thank you very much. The time has expired. I will move to the official opposition: Mr. Hudak, for 20 minutes.

**Mr. Tim Hudak:** Minister, Deputy, thanks very much. I wanted to return to the results-based plan briefing book, specifically page 31, ministry administration, vote 1201(1). The services item: The interim actuals in 2007-08 were \$8.8 million, and the estimates for 2008-09 are \$21.6 million, so just short of a \$13-million increase in the services item at a time when one would expect financial constraint within the ministry. Can somebody explain that massive jump in the spending from 2007-08 to the estimated spending in this year?

**Mr. Peter Wallace:** I'll ask Helmut Zisser, who's the assistant deputy minister, to respond.

**Mr. Helmut Zisser:** Thank you. The increase from 2007—

**Mr. Peter Wallace:** If you could identify yourself again, sir.

**Mr. Helmut Zisser:** Helmut Zisser; with the quality service division of the ministry.

The increase from 2007-08 interim actuals to the 2008-09 estimates was due to increased funding being made available for various initiatives during that year. If you would like, we can certainly provide a more detailed listing of what those initiatives were.

**Mr. Tim Hudak:** Absolutely. Mr. Zisser, do you have that at hand? That is more than doubling, if not two and a half times—

**Mr. Helmut Zisser:** I don't have the exact list with me.

**Mr. Tim Hudak:** Can you give me some examples of what was expended in that item?

**Mr. Helmut Zisser:** Normally in this area we would be covering the variety of costs that are associated with running the ministry, including providing security services, rent and also support for the revenue processing areas that we support. Those would have been placed in that vote at the time.

**Mr. Tim Hudak:** Does anything come to mind in those areas that you just described that would tell us why you saw such a large increase? This is probably one of the largest per cent increases in the entire ministry.

**Mr. Helmut Zisser:** I don't have a specific item, but we can certainly provide you with a list of the items.

**Mr. Tim Hudak:** Terrific; just to be clear, if I could have where those items were in 2007-08 and where they're estimated to be in 2008-09 so that we can see where the increase is planned.

**Mr. Helmut Zisser:** Yes.

**Mr. Tim Hudak:** Thank you. Also for Assistant Deputy Minister Zisser, on page 37, also in ministry administration, analysis and planning, here again we see an increase in salaries and wages. If I look at the actuals of 2006-07, it was \$1.4 million. The estimate today for salaries and wages is rounded up to \$2.3 million—so approximately an \$800,000 increase in salaries and

wages and a similar per cent increase in the employee benefits. Has there been a lot of hiring in the administration, analysis and planning division?

**Mr. Helmut Zisser:** There would certainly have been some. I believe that at the time this took place, there were some adjustments being made to the organization in order to provide more robust services in this area.

**Mr. Tim Hudak:** Can you give me an example of what the new robust services are in this area?

**Mr. Helmut Zisser:** This would relate to analysis and planning associated with preparing things like the results-based plans, preparing the ministry's estimates and monitoring the expenditures of the ministry.

**Mr. Tim Hudak:** But again, with respect, those are things that happen every year, right? They're planned, they're scheduled, they're every year. But despite the fact that the objects you just mentioned are annual events, we see over a 50% increase in two years in that budget.

**Hon. Dwight Duncan:** If I may, Mr. Chair, I would like to point out to the member—again, when you look at the summary of ministry expenditures, and I'll refer you now to table 1, page 16 of 130, you'll see the estimates and actuals in 2007-08. You'll see that our estimates this year going forward are down considerably from the previous year, and in terms of interim actuals, the increases are about 2%, which is below in terms of total operating and capital. There's considerable movement within lines in any given year; that may be responding to specific circumstance that were unanticipated at the time of budgeting.

What I look for as minister is not only those individual line items but also what the aggregate is because, inevitably, in an almost \$10-million budget, there are going to be changes with large sums of money involved that appear to be out of any kind of normal variance that one would anticipate. As we look at those individual items, and of course we'll provide you with the direct responses, you'll see that overall the rate of growth and expenditure at the ministry has actually been relatively modest. The other thing to bear in mind too is, as we move forward, when you reincorporate the Ministry of Revenue and some of its functions into finance, those things will often happen.

Absolutely, we'll provide you with those answers on the individual line items, but again I would point out that the overall budget of the ministry is well within what I would call a normal variance.

**Mr. Tim Hudak:** I appreciate the minister's response. The challenges of using the chart the minister spoke of is that sometimes included in these numbers are one-time initiatives that don't continue in subsequent years. I think it's always important to bear down on the specifics, and I appreciate the assistant deputy minister's responses to my questions and his endeavours to get more details as to the reasons behind these expenditures. If it's simply the Ministry of Revenue coming back in, then I'm sure we'll get that answer in a short period of time.

I'll also turn, continuing on this vote, to page 43, ministry administration, information services. Again, if

you look at the growth, the actuals in 2006 of \$11.7 million, the interim actuals of 2007-08 \$14.1 million and then a significant leap in 2008-09 to \$17.5 million, about a \$6-million increase, about 50%, over two years from 2006-07: I wonder if we could have some understanding of why we saw this large increase in salaries and wages—

**Hon. Dwight Duncan:** I'm sorry, Tim, what page was that again?

**Mr. Tim Hudak:** Sorry, page 43, salaries and wages, ministry administration, information services.

**Mr. Helmut Zisser:** This is the item in the budget that's responsible for revenue processing, and during that time we were, and we still are, in the process of modernizing some of those services as well as adding additional functionality to the service to handle the various sources of revenue that the government receives. We in fact, through this area, now process about 92% of all revenue coming into the province, and that involves millions of transactions. At that point, we were in fact improving some of those processes as well as adding new initiatives that were coming into play.

**Mr. Tim Hudak:** Again, could you—

**Hon. Dwight Duncan:** Also, if I can, Tim: Again on that same page, you'll note that for that particular division, that particular line item, the estimates for this year versus the interim actuals for last year and versus estimates for last year are actually almost 10% below budget overall. I see that one of the larger reasons for that is an increase in recoveries. Again, we will get you the specifics of that, but I think it's important to keep in its proper context that within that overall line, the estimates for this year, 2008-09, are \$66 million, versus the interim actual of \$72 million last year, a decrease of \$6.2 million overall.

**Mr. Tim Hudak:** This is what's curious: There's a reduction in the services item, and that's the largest explanation for the overall drop in this part of the ministry. I'm curious: If there are less services being provided, and there's less expenditure on supplies and equipment, how then do you reconcile more people working there? It must be a significant number of new people working in that part of the ministry to see that nearly 50% increase in salaries and wages in two years' time.

0930

**Hon. Dwight Duncan:** The other thing we've done—and again, we will get more details on this. They provide strategic advice on the planning and use of I&IT to enable central agent ministries' business agendas. We have had to invest considerable amounts of money in I&IT. Your government hired a lot of outside consultants who were considerably more expensive than public servants, and that may in fact inform part of it. Again, I want to get back to you, but I do think it's important to point out that the overall information services budget is actually down almost 10%, and in my view, it probably would represent a more cost-effective use, even though



the salaries and wages are higher than they were two years ago.

**Mr. Tim Hudak:** I'd ask too, as Assistant Deputy Minister Zisser gets back to us on the items that I brought up last time we met and today, if we could have the growth in the FTEs in those particular departments. As a reminder, it was the operating item on page 31 of the binder; page 37, analysis and planning; and information services that I'm discussing currently on page 43. I can note the pages with Mr. McLellan, and that way we'll be clear.

Just to continue, page 45: ministry administration, revenue operations and client services. Again, we see \$11.7 million in the actuals for salaries and wages in 2006-07, climbing to \$14.3 million in this fiscal year's estimates, so that's a \$2.6-million increase in two years—not as high as the last item but still something that caught my eye. Does the ADM have some explanation as to this growth?

**Mr. Helmut Zisser:** There was a salary shortfall in the previous year, and this represented a reallocation of funds in order to fully pay for the salaries of the staff in the area.

**Mr. Tim Hudak:** Can you explain what that means?

**Mr. Helmut Zisser:** It simply means that the amounts for salaries that have been allocated have not been sufficient, and the ministry then reallocated funds into that area in order to fund all of the positions.

**Mr. Tim Hudak:** So to ensure that those folks were paid, you had reallocated funds from another budget line.

**Mr. Helmut Zisser:** That's correct.

**Mr. Tim Hudak:** Again, I'd appreciate it if you would kindly provide the FTEs in this part of ministry administration at the same time.

To look on the same page, interim actuals 2007-08: On the services line, there is an estimate of \$286,000, but the bank was blown here with a \$6-million increase. I can't even do the percentage increase in my head. What would explain the jump of \$6 million in the interim actuals of 2007-08 compared to the estimates from last year?

**Mr. Helmut Zisser:** This would have been what we're calling the long-term-solution project, which was actually the acquisition of this revenue processing machinery. I believe that would be the area there, but we will confirm that that is in fact the expenditure.

**Mr. Tim Hudak:** Okay, if you don't mind. So that was an unbudgeted item last year.

**Mr. Helmut Zisser:** It had not been provided for in the previous year's budget, yes.

**Mr. Tim Hudak:** From the estimates last year, it was \$286,000; and this year, again, even if the equipment was purchased last year, we're up to about \$4.9 million, a 1,600% increase in expenditure from last year's estimates.

**Mr. Helmut Zisser:** Pardon me?

**Mr. Tim Hudak:** The services item—I'm just comparing estimates in 2008-09 to the estimates of last fiscal year. There's a 1,600% increase in that budget.

**Hon. Dwight Duncan:** Which line was that again, Tim?

**Mr. Tim Hudak:** For services, on page 45: ministry administration, operating. The assistant deputy minister just described that the increase in 2007-08 was due to the purchase of new equipment for the new initiative. That's why it was much greater than the \$286,000 that had been allocated. But again, this year you're over \$4 million higher than the estimates from last year. You'll note that the change from the 2007-08 estimates is a 1,600% increase.

**Mr. Helmut Zisser:** Yes. I think for this year the increase was due to the actual services that we needed to acquire to do the programming to transfer the applications from the old system onto the new system.

**Mr. Tim Hudak:** So in 2007-08, the increase was due to the purchase of a new IT?

**Mr. Helmut Zisser:** I believe we acquired the equipment during 2007-08 and this year we're now in the process of transferring the applications from the old system into the new system.

**Mr. Tim Hudak:** So can we expect that line, then, to subsequently decrease in 2009-10?

**Mr. Helmut Zisser:** I believe there's still some considerable work to do in 2009-10, but I think for the outgoing years it certainly will be decreasing as that work completes.

**Hon. Dwight Duncan:** And I think, just if I may interject a little bit, Tim: Reflecting on it, I also point out that the actuals in this operating branch of the ministry, the revenue operations and client services, this year the estimates for 2008-09 are actually lower than the actuals in 2006-07. So I think what has gone on here is we've had a major IT acquisition. It's the implementation of that that will in fact save the taxpayers, I suspect, money and provide better service over time. So I do want to point out for members of the committee, if you look at the actuals for this branch of the ministry, in 2006-07 it was \$19.6 million, and the estimates for 2008-09 are \$19.1 million. Tim is absolutely correct: There has been a large increase in a couple of subcategories in there that reflects the acquisition and implementation of new technology that will reduce costs associated with the management of our revenues and provide better service to the public. I'm actually very pleased that we've been able to do this and that the line item in this branch of the ministry is actually lower than it was three years ago.

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Hudak, just under four minutes.

**Mr. Tim Hudak:** The challenge I'm highlighting here is the growth in the salaries and wages of FTEs, the purchase of equipment that's going to reduce costs—

**Hon. Dwight Duncan:** I just think you have to be careful that as you look at individual lines, you keep in mind first of all what is happening within that. We will provide you with much greater detail, but when you look at that particular branch, which is \$19 million out of a \$9-billion budget, the actuals are lower for this year than they were three years ago.

**Mr. Tim Hudak:** I appreciate the minister has made that point, and I think it's our duty on this committee to ask the questions about why, for example—

**Hon. Dwight Duncan:** Absolutely, no question. I just want to make sure that—

**Mr. Tim Hudak:**—you were \$8 million over budget in this area last year.

**Hon. Dwight Duncan:** No, we're not over budget.

**Mr. Tim Hudak:** Last year you were.

**Hon. Dwight Duncan:** I think we want to make sure, however, that numbers aren't isolated and taken out of context. You have to look at them in a context. I try to put them into, first of all, the broader ministry context, as well as in this particular branch of the ministry.

**Mr. Tim Hudak:** I'll return to my questions, if I could, Chair. There are a number of numbers that I wanted to get through. I do want to point out that this part of the ministry, in 2007-08, was \$8 million over the estimates, which is about two thirds of the estimated value.

If you turn to page 61, this is the economic policy division of the ministry, the economic, fiscal and financial policy. The item is economic policy, again, page 61. Here again, we see a \$2-million increase in salaries and wages within the ministry, even from last year's estimates, a 17.4% increase. Whether this is ADM Zisser's area of responsibility or another ADM, again my inquiries are, what explains that significant increase in the salaries and wages line?

**Mr. Peter Wallace:** I'll ask Patrick Deutscher to respond.

**Mr. Patrick Deutscher:** Pat Deutscher, ADM, office of economic policy. A number of items included in this are provisions for support of modelling related to climate change modelling. That's one of the items in this. A second item is support of some of the government's partnerships in budget measures. A third item, which is a bit buried within this, is a reclassification. We used to hire co-op students from various universities on a contractual or service basis. Basically our procedures have changed so that these are now accounted for as part of salaries and wages. We make pretty extensive use of co-op students.

**Mr. Tim Hudak:** Thank you, ADM.

0940

**The Acting Chair (Mr. Lou Rinaldi):** You have about half a minute left.

**Mr. Tim Hudak:** All right. My last question, then, in this round, the services item—if you could explain as well the 97.7% increase in the services line.

**Mr. Patrick Deutscher:** Again, this is an area where we work both in climate change, various modelling activities that we are trying to plan for, as well as activities in support of legislative initiatives related to financial services regulation; for example, mortgage brokers, credit unions, securities, auto insurance. There are areas we have to provide for potential legal and consulting costs.

**The Acting Chair (Mr. Lou Rinaldi):** The time has expired.

**Mr. Tim Hudak:** Okay, thank you.

**The Acting Chair (Mr. Lou Rinaldi):** Thank you, Mr. Hudak. Mr. Prue, you have 20 minutes.

**Mr. Michael Prue:** Thank you very much. I want to continue on the issue of the auto sector because I think that's really key in most people's minds these days. Certainly, every day I open up a newspaper or a group of newspapers it seems to be a lead story.

On the last estimates day, you indicated that Ontario would not be willing to go it alone in providing assistance to the auto sector, and you made a pretty compelling case why Ontario did not have the money without the federal government being involved. You've had a meeting, and this has been discussed. Did the federal government or the minister or any of the bureaucrats explain what federal program would be utilized to deliver money should the federal government decide to go down that road?

**Hon. Dwight Duncan:** They haven't indicated that, Michael, but there have been a couple of very positive developments, I think, since the last time we met a couple of weeks ago. One, the federal government has now very clearly indicated its willingness to participate, which is right up to and including the Prime Minister and the Canadian Minister of Industry, Minister Clement. So that's number one.

Number two, they have not identified a specific program or vote where they would get their money from. I presume within their budget they have contingencies and others to assist them in unexpected or unanticipated areas. The Prime Minister has also indicated, as recently as yesterday, that the government is prepared to run a deficit at this point in time, given that the G20 ministers pretty much all concur that deficits are an appropriate policy tool at a point in time like this.

The other issue, in fairness to the federal government—Minister Bryant, on behalf of our government, is travelling to Washington, as I understand it, on Thursday along with Minister Clement to determine what form assistance will take in the United States and what the expectations for Canadian participation would be. These discussions, both between governments and between the automotive companies themselves and the various governments, will inevitably be, I suspect, very difficult sessions. While no specific program has been identified, I'll venture that they do have contingency within their budget to provide for assistance, number one, and that, number two, until the nature and the timing of that assistance—if it's loan guarantees, for instance, it wouldn't involve the flow of cash. If, on the other hand, it involves direct cash, that would obviously have different accounting as well as program implications. I think once the nature of the participation of the Canadian and Ontario governments is determined, and the amount, then at that point it would probably become clearer how they intend to actually implement their undertaking to be at the table on this.



**Mr. Michael Prue:** Okay. The government's auto investment strategy has funding, and I quote in part from that, for "large-scale capital projects" and "leading-edge auto manufacturing projects." I can't seem to see anything or any existing programs to provide short-term credit to manufacturers or new or special programs that would create or provide assistance to these manufacturers. You have a long-term strategy, and it's there. Are you looking at any short-term strategies?

**Hon. Dwight Duncan:** Yes, we're obviously at the table. Minister Bryant and the Premier met with the Detroit Three. There was no specific ask, by the way, last Friday at that meeting. In our budget contingency, we have other funds. We are prepared to adjust, to respond once we have a sense of what the expectation of the government of Ontario would be. Once we've had what I would call meaningful dialogue, I think it's fair to say that we need to do what I would call due diligence in terms of what the industry's specific needs are—the timing of those needs, how they will be met, how the government in the United States will attempt to meet them, whether or not the current Congress and President actually are the signatories to this or whether the industry can hold through until President-elect Obama is sworn into office—and the Democratic Congress, which may have a different approach.

There are a number of variables. I think that's one of the reasons Minister Bryant is going with Minister Clement to Washington on Thursday to begin to—last night I had a look at Senator Reid's bill that's before the Senate, which apparently is in some difficulty in terms of passage.

**Mr. Michael Prue:** I'm not familiar with Senator Reid. Is he a Democrat or a—

**Hon. Dwight Duncan:** He's a Democrat. That's the package the Democrats have put forward. I had a chance to look at the bill last night. I'm told, via the media—I don't have any insights that you don't have—that that is not going to fly in terms of the Bush administration or the Republicans in both Houses of Congress. However, there do appear to be ongoing discussions. There's some fear that one or more of the Detroit Three could find themselves in bankruptcy prior to the new administration taking over, so I suspect that the next few days and the next couple of weeks are going to be extremely important in terms of what we're able to do.

**Mr. Michael Prue:** Just to follow up, you said that there was no specific ask when you met with them last week. They gave no indication of the amounts of money that they're going to need? You sat around a table and they just said, "We're in trouble," and didn't say anything?

**Hon. Dwight Duncan:** That's right. I wasn't present at the meeting, but that is part of the challenge. It will be incumbent on the automakers themselves. One of the difficulties will be that Chrysler, for instance, is privately held by Cerberus; it's not a publicly traded company anymore. The due diligence that will have to go into these decisions has to begin. We will take steps as a gov-

ernment to do that. I'm going to have to defer to Minister Bryant and his discussions with Minister Clement. I imagine the governments of Canada and the government of Ontario would undertake that due diligence in a coordinated fashion as opposed to doing our own thing.

I can tell you that myself, Minister Bryant and Minister Papatello met with Nardelli, the CEO of Chrysler, a couple of weeks ago. All of us have been in discussions with various people, but again, the precise nature of the ask and the timing of it have still—all we've seen is what they're looking for from the United States. To my knowledge, there have been no formal discussions. I think this is part of the reason that Minister Clement and Minister Bryant are going to Washington: to get a better sense of what's going on there.

**Mr. Michael Prue:** I know that no commitments have been made, but I am anxious to try to find out under what budget the Ontario government may be considering giving some kind of relief or financing to the auto industry. We're talking about hundreds of thousands of jobs. What statutory authority would the province rely upon to provide short-term assistance? Would this come out of a contingency fund, because it has probably not been thought of in advance? Is there some kind of funding that the government has at the ready? Where would the funds come from? I know it's hypothetical, but it's here.

**Hon. Dwight Duncan:** No, it's a very real and legitimate question. First of all, yes, there's contingency. As you know, in our budget we have set up a number of programs that are budgeted for but not spent in terms of the automotive sector and other sectors of the economy; we could do that. If in fact assistance takes the form of loan guarantees, while there would be no cash outflow, there would be accounting implications, obviously, for us.

We've begun to look at that, Michael, but candidly, until we know the precise form of what it takes, I can't give you a complete answer because we don't have that complete answer. However, we will be able, within our budget, to adjust and make reallocations of funds. I'm not certain that that would require legislative authority at this point, to be candid with you, but, subject to the due diligence with the automakers themselves, subject to a fair deal with the United States and with the government of Canada, we are prepared to do our part.

0950

**Mr. Michael Prue:** I have one or two more questions here on auto if I have time for them. It appears that the Ministry of Economic Development and Trade Act gives some broad authority to provide short-term assistance. Would the province rely on this legislation to lend monies or support to the auto sector? Is this one of the avenues or is this the likely avenue?

**Hon. Dwight Duncan:** You're absolutely correct: The act does give that authority. Again, to be completely candid, at this point we haven't determined that, but the policy commitment of the Cabinet, the government, is there. We have not worked out the details of the mech-

anism for doing that, but you've pointed out one potential mechanism that's available to the government.

**Mr. Michael Prue:** Just one last thing: I think we would all look for guarantees. You indicated, and I think everyone knows, that there is a possibility that one or more of these auto giants may go bankrupt. I think a lot of people—I've had some e-mails and some letters, and you've probably had a lot more than me—are very concerned about spending taxpayers' money to bail out an industry that may not survive. So my question is related to the kind of assistance. Would it be the Ontario government's position not only to push for job guarantees, but also for government and union representation on the board of directors of the Canadian subsidiaries to ensure that our tax dollars would be used wisely, and also to keep a very good handle, I would think, on how the money is being spent, and if bankruptcy happens, that it is not simply to reposition the jobs and the wealth back to the parent company in the United States?

**Hon. Dwight Duncan:** I can't give you an answer to some of the questions you've raised. Frankly, as a government, we haven't considered specifically union representation on the board of the Canadian subsidiary and so on. We haven't gotten to that point.

What I do think needs to be said is that one of the more difficult aspects of this is that any kind of package of assistance—even with the assistance, we may in fact see an overall decline in employment in the North American industry. It may be that any arrangement we come to is delineated more along the lines of protecting a relative share. When you look at the job losses and when you talk to the analysts about where this is all going, there still appears to be excess capacity in the industry throughout the world. I think if anybody has the false impression that any kind of assistance, whether it's from the government of the United States, Canada and Ontario together, or whatever happens—to suggest that the industry will continue at its current size, I think, is probably underestimating the real challenge that's there. The assistance package may be in fact to help reduce the negative fallout from what's going on here in Ontario relative to the United States. But what comes out of this at the end—and based on the little knowledge that I have about it, because it's not my portfolio—the package that would be there would be designed both in the United States and Canada, in Ontario, in the first instance to stabilize the industry in the short term, to prevent a bankruptcy. Most analysts I've sort of seen and heard—the risks associated with bankruptcy are far greater than the risks associated with government assistance, number one.

Number two would be designed to bridge the industry to a point—over the last few years you've seen vehicle sales in the United States at around 17 million; they're down, this year, to just a little more than 11 million. The analysts I've spoken to anticipate that that number will start to grow again in about two years. I think one of the unfortunate things that's happened as a result of this financial crisis is that a lot of the transformation that was

going on in this sector—and by the way, GM, for instance, now makes more hybrid vehicles than any other manufacturer in the world. The CAW has taken enormous concessions through work rules and so on that, in my view, have helped position the industry, and then they got hit with this wallop of the financial sector.

I think that, realistically, any package that's put together by the governments here in North America, or in the European Union particularly—one of the difficult aspects of that is that it may not in fact maintain all of the jobs that are there now. That may help the industry transition, but part of our challenge and part of the reason we want to be front and centre—Minister Bryant said this yesterday and I think I said this at committee a couple of weeks ago—one of the fears I had when the government of Canada wasn't at the table, was that any deal that would be negotiated in Washington could in fact involve the repatriation of Canadian jobs. The one example I can give you that strikes home with me is that today there are two plants in the world that manufacture the Chrysler minivan. One of them is in Windsor, Ontario, and the other is just outside of St. Louis. The St. Louis plant is being shut on June 30. It's being closed.

One of the things that struck me when all this discussion was going on in Washington was, what if a deal down there would involve the repatriation of jobs from Canada to the United States? I think we all need to bear that in mind as we move forward. It's difficult for me to answer the specifics of your question because we simply are not at that point yet.

**Mr. Michael Prue:** Well, you must have—

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Prue, you've got about three minutes.

**Mr. Michael Prue:** Okay. This is my last question, but it's right on that. There's been some speculation in the press that president-elect Obama may in fact be going down that road. During the election he talked about bringing jobs home to America, and there is some speculation and there are some very real fears that that's precisely what's going to happen in terms of the Windsor minivan plant. There are probably equal fears in Mexico that the jobs are brought back to the United States at the expense of the NAFTA partners. I'm a little bit nervous as well in terms of our expending of money until that is known. This is a long question: Can we afford to wait until late January to see how this is going to play out? I just don't know either.

**Hon. Dwight Duncan:** We don't know. Given the integrated nature of the North American industry, it would be difficult, and I don't believe—I was in Washington myself about three weeks ago and had discussions with nobody close to President Obama, just people who have a little more insight and people who are significant in the Democratic Congress now. The sense I got from them is that there's not a desire on their part for that, but again, this is why it's so important that Minister Clement and Minister Bryant are going to Washington, so that we can make sure we at least know where they're going, number one, and number two, that we do everything we



can to protect what has been termed the “footprint of the industry” here in Ontario and in Canada.

**Mr. Peter Wallace:** Just one small addition to that: You used language around, “Can we afford to wait?” and to give you some assurance that there is no waiting at all, we are engaged, in conjunction with economic development and with the government of Canada, in an extraordinarily active due diligence, fact-finding research engagement with the industry process.

**Mr. Michael Prue:** I think there’s only 30 seconds, so we’ll just pass.

**The Acting Chair (Mr. Lou Rinaldi):** Probably very close to it. Back too the government. Mr. Delaney, please.

**Mr. Bob Delaney:** Thank you very much.

**The Acting Chair (Mr. Lou Rinaldi):** We have about 15 minutes left—20 minutes.

1000

**Mr. Bob Delaney:** Minister, I’ll switch topics from focusing on the state of the auto sector and the state of the economy, which can certainly cause almost anybody to frown. I want to talk to you a little bit about some of the things that the ministry has done over the past few years to provide incentives within Ontario to individuals and to organizations for doing the right things, and for doing things today that position our province and our communities where they should be in the years to come. Specifically, I want to talk about the environment. I’m going to ask you an open-ended question here, but I’d like you to provide a little bit of insight on what form of tax incentives Ontario has put in place, both during your tenure and in that of your predecessor, to encourage, for want of a better expression, environmentally friendly behaviour.

**Hon. Dwight Duncan:** Well, there have been a few that we’ve done. First of all, there’s a temporary retail sales tax—that’s what most people commonly refer to as PST—exemption for Energy Star household appliances and light bulbs. That expires August 31 next year. We’ve also had a temporary RST exemption—again, what we in the Ministry of Finance call the RST, most Ontarians call PST, just so people don’t get confused—for bicycles costing \$1,000 or less and bicycle safety equipment. That expires December 31, 2010. We’ve doubled the maximum provincial sales tax rebate for hybrid electric vehicles to \$2,000; that expires on March 31, 2012. In addition, Bob, to encourage corporations to invest in assets used to generate efficient and renewable energy, Ontario parallels federal provisions that permit an accelerated corporate income tax writeoff—that’s 50% of the CCA rate—for specified energy-efficient and renewable energy generation equipment acquired before January 1, 2020.

**Mr. Bob Delaney:** Certainly, as one of the purchasers of a hybrid vehicle in the last year, I very much appreciated the RST rebate.

As we get closer to Christmas, I guess most people turn their thoughts to Christmas shopping and Christmas cards and all the rest of those festive things, but, as the

Minister of Finance, I know one of the things you turn your mind to is pre-budget consultations. I’m kind of interested in knowing what, in general, you’ve heard so far in some of your pre-budget consultations.

**Hon. Dwight Duncan:** Well, we’re doing a number of consultations. We’re doing, as we’ve historically done throughout the province, some sort of large open forums where people come in and tell me what’s on their mind. We take notes and sometimes I’ll ask questions. I’ve done two of those. I’ve had to postpone two over the last couple of weeks that have been rescheduled: one in Sault Ste. Marie and one in my home of Windsor. In addition, I do a series of small meetings with community leaders across the province, industry leaders, where we engage in what I would call more of a give-and-take dialogue.

A couple of observations so far and were early on: People get it, in terms of the economy. They understand the challenges that are before us. They recognize that the world is a very different place than it was a year ago, that the eras of government surpluses, the era of our ability to invest in new programs and services has changed; it’s very different. I detect a collective sense that we need to work together to get through this, that there’s a general kind of consensus that deficit in this type of an environment is appropriate provided the money is used for specific things. The deficit would have to be managed. There would have to be a plan for eliminating the deficit. I heard a lot about infrastructure.

I have to tell you that the one model, to my way of thinking, of how to deal with our current challenges and still respond is the agreement we reached with our municipal partners on provincial-municipal service delivery review. Your mayor, Mayor McCallion, was one of the participants in that situation. Our municipal partners understood the challenges we’re faced with in the immediate term, particularly in the next couple of years. We came to an agreement on how to upload a number of services that had previously been downloaded by the Harris and Eves governments, and it’s taking longer than either side would have wanted. But I have to tell you I was genuinely impressed with their desire to work with us. They understood. They have challenges all their own right now. I hope that will be a model for dealing with other sectors as we move forward.

As you know, in my fall statement I had to curtail some new investments—not an easy thing to do. So with limited resources and what appears to be very little, if any, growth at all in revenue, certainly in the coming year and likely the year after that, we are going to have to work together, I think, with our partners, whether it’s in the broader public sector or here within the government itself, to constrain the growth of expenditure, particularly in new programs or services, until such time as we see more robust growth in the economy. Where we do spend money, it will be in areas that are designed to create jobs in the shorter term and not commit the government to year-over-year large increases in operating expenses. We simply, at this point in time, until there’s greater stability in the world economy and we sense when we’ll see a

return to real growth in the economy—I think we can all work together to get to that point.

**Mr. Bob Delaney:** I'm sure Mayor McCallion wouldn't mind my relating the fact that she speaks very highly of you personally. She doesn't miss too many opportunities to mention that you personally are doing a particularly good job and—

**Hon. Dwight Duncan:** And she doesn't miss many opportunities to tell me when she thinks I'm wrong either. Again, she and Mayor Miller, and there were a number of mayors from across the province—but you know what? It was a two-year process, and I think where we got to was exactly the way I believe governments should work together. When we talk about partnerships—part of our five-point plan—that's what it's about. When people sit down and understand each other's challenges and needs, as long as there is a full and frank discussion about issues, I believe that people of good faith can work through these things. That's part of what I'm hearing back so far.

**Mr. Bob Delaney:** I detect some of this frankness in some of our discussions with our larger employers out where I am in northwest Mississauga. I've had some discussions with companies that have done very well in the last year and are now very reluctantly doing layoffs. So among some of the people who come and see me from time to time or whom I encounter in the community, they often ask about something that you just mentioned, which is what the province is doing to create jobs, to help people get back to work, to help people transition to a new phase in their career, to a new career itself. I would be very interested if you could provide a breakdown of the \$2-billion skills to job action plan that Ontario introduced in your last budget.

**Hon. Dwight Duncan:** I'll be happy to do that—and just a little bit of narrative before that. First of all, our investments in infrastructure are designed to create jobs in the short term. The Investing in Ontario Act, the \$1.1 billion that Peel region is getting a chunk of, as well as the city of Mississauga, I think creates 100,000 jobs. Interestingly enough, in spite of the challenges in the economy, there are still about 100,000 jobs in Ontario that are not filled, because while we have, particularly in the manufacturing and forestry sectors, job loss, there are other sectors that have continued to grow. But we don't have the people with the skill sets to fill those jobs.

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So we undertook a very substantial investment—\$2 billion—in terms of a skills to jobs action plan that has a number of components: new skills for new careers, \$560 million over the next three years, to get someone who loses their job a new skill set to be able to fill one of those jobs that is looking for people; \$355 million over three years for something called Second Career strategy, which will help 20,000 unemployed workers get long-term training for new careers. This includes rapid re-employment and training service to respond to major layoffs. This is an absolutely new undertaking. There has been some criticism that it hasn't had a lot of uptake. It

involves, normally, older people—somebody in their 40s with a family, who has been well established—literally going back to school for two years. We had, internally, quite a debate as to how much take-up there would be for this. In fact, when we first introduced it, the opposition said that there wasn't enough money for the program. We were criticized that there should have been more; there are so many people unemployed. But we were nervous at the time about how many people would actually be in a position to take this program up.

We had a certain level of uptake, which was, candidly, less than we thought it would be. So the minister, Minister Milloy, had a look at the qualifications and those sorts of things, and he has made a number of adjustments which we think will allow more people to access the program. So it's brand new. But it's designed to allow someone, a man or a woman—people who are really challenged in terms of employment when they lose a job are people who are further into their career, somebody in their 40s, even in their 50s. It involves going back to school or training for a couple of years. Oftentimes, these folks have families, they have responsibilities, and it makes it more difficult. This is designed to help them, so it's very new, it's very experimental.

We've consulted widely in the province with front-line service delivery people. A very good friend of mine I asked to be involved, a woman named Marion Overholt, runs Legal Assistance of Windsor, Mr. Prue. She's a prominent New Democrat in our community, she has run for the New Democrats federally, but she also knows a hell of a lot about retraining. She has been on the front line for years, and she has given us some really good insight into how to make this program work. I just raise Marion by way of example. We've talked to many other people. So that's one component.

There's \$75 million over the next three years to expand the apprenticeship target of 32,500 new registrants annually, a 25% increase by 2011-12. Again, Bob, one of the things that has been kind of difficult is that with all of the infrastructure we have going on—and don't forget we have a massive energy undertaking under way—there's a real fear that in three or four years we won't have enough companies or skilled trades people to meet the need for all of this work. It's already an issue. Municipalities are reporting, in spite of the challenges in the economy—and we candidly don't know how much this situation is going to impact on that. But when one looks at the work plan for the next 10 years, whether you're talking about roads and sewers, hospital builds, school builds—for instance, there are some 240 new nuclear reactor projects at various stages of planning around the world today. There's only the capability to build about 140 of those in the world today. These, as you know, are long-term undertakings. So that's an important component of it.

We've put \$45 million over three years for the apprenticeship enhancement fund for state-of-the-art training equipment. We're buying equipment for education purposes for apprentices. Some of that goes to schools, some



of that goes to the unions that run training for their members. I think that one of the big training centres is in Mississauga. So, that's an important investment.

There was \$30 million for English-as-a-second-language enhancements and additional training services for new Canadians. I know that in Mississauga, you have a vibrant community of new Canadians. That builds on our previous investments. I notice you're smiling. I know—

**Mr. Bob Delaney:** I think I'm the only mainstream guy on my street.

**Hon. Dwight Duncan:** The United Way of Greater Toronto pointed out to us in very vivid terms the special challenges that new Canadians have in terms of training, in terms of language, in terms of integration into the economy. So that's an important part of that as well.

There was another \$22 million in 2007-08 for the new Toyota training centre in Cambridge, and \$700,000 for automotive research. I am reminded again that in spite of the enormous downturn in the US automotive sector, there will still be 11 million cars and trucks sold in the United States this year. By 2010-11, they expect that those numbers will again begin to increase, based on historic trends. So this is still an important industry. It's still a major employer. It is having a terribly difficult time at the moment. We're making those kinds of investments as well.

There was \$5.6 million in 2007-08 for Chrysler Canada employee training in Etobicoke, Brampton and Windsor.

To redesign and improve access to Employment Ontario—again, this is part of what we've been doing up until now.

Obviously, the crisis in the world economy has put this thing onto a whole different level, but we're responding as information becomes available.

**Mr. Bob Delaney:** I'm just going to close. I believe—

**The Acting Chair (Mr. Lou Rinaldi):** You have about two and a half minutes.

**Mr. Bob Delaney:** I'm pretty assertive in going out to talk with a lot of the corporate people and businesses in the city of Mississauga. I spoke with one home builder not that long ago who said, "Don't get me wrong about the recession in the States; I feel very deeply for a lot of the people who are ultimately our customers, as homebuyers. But if there's one thing that may come out of it, I may actually be able to find bricklayers." Talking about some of the situations that home builders face in access to the trades, he said, "In our business, if we've got a subdivision in which we've brought in the bricklayers, we very literally have to have a foreman driving around in a truck making sure that nobody else comes by and poaches our bricklayers." They'll have people come by and say, "Hey, you, on the scaffold. If you get down right now and get in my truck and come over to my project, I'll double whatever they're paying you." Whether it be bricklayers or drywallers, and especially people who are experienced in HVAC, at the moment there is a desperate, desperate shortage of trades.

To further buttress some of the things that you've said, we have a very good company in Mississauga called Cyclone Manufacturing. They moved into a plant that had been vacated by a firm that had built conveyer belts. The firm moved its entire operations to the States. So, basically, what was a low-end manufacturing operation became a high-end manufacturing operation, because these people make custom aircraft parts. They have been bringing in business from all over the world. They had a major plant opening just two weeks ago. I talked to them about the skills to jobs plan, and very much like most other firms that I've spoken with, it takes businesses two and three quarters to take a new initiative and factor it into their thinking, which we've discovered in the Ministry of Research and Innovation as well. So we're probably only beginning to see the really high-quality proposals, as businesses realize the opportunities up there and move to take up those very opportunities. One of the things that Cyclone, for example, needs are very well paid machine programmers to take a big block of aluminum and turn it, using computer technology, into an aircraft part. It's all made of one piece of metal.

**The Acting Chair (Mr. Lou Rinaldi):** Mr. Delaney—

**Mr. Bob Delaney:** We're out of time, right?

**The Acting Chair (Mr. Lou Rinaldi):** You're out of time. Thank you very much.

It's about twenty after 10. We will have just under two and a half hours this afternoon and we have a two-hour time slot. With your consent, as we discussed before, we'll divide the time equally when we come back at 4, starting with the opposition. There will probably be three rounds of 20 minutes, and then if there is time left, we will divide it accordingly.

**Mr. Tim Hudak:** Yes, Chair, that's fine. We appreciate the minister and all of the ministry staff who have taken the time to be here for a number of days. Provided that we start at 4 and there's nothing that happens in the House, I'm fine with that agreement.

**The Acting Chair (Mr. Lou Rinaldi):** Good. So we'll recess until 4 o'clock this afternoon.

*The committee recessed from 1018 to 1602.*

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. I'm calling back to order the Standing Committee on Estimates for the consideration of the estimates of the Ministry of Finance. All parties had come to an agreement this morning that we'd split time equally and end today at 6 p.m. So if we're starting now at 4 o'clock, that will be two sets of 20-minute rotations each, and then we'll be done at 6. When we last met, the government members were asking questions. It's now time for the official opposition, and I wonder if Mr. Delaney would be so kind as to maintain the chair for at least that round of questions.

**The Acting Chair (Mr. Bob Delaney):** For you, Chair, not a problem.

**Mr. Tim Hudak:** Thank you, sir.

Minister, I wanted to continue with some of the questions on the estimates book itself. Let me see where I

was. I think I was on the economic policy side—the economic, fiscal and financial policy division, the ministry economic policy item—and I had asked some questions about the FTEs behind the salaries and wages increase. I had asked as well about the services item increase, and I think the ADM said he would get back to me with some responses about that item.

I'll now go to page 63. This is the provincial-local finance part of that division of the ministry. Again, here, Minister or Assistant Deputy Minister, for this part of the department, on the salaries and wages line again we see an increase from \$3.5 million in 2006-07 to \$4 million last fiscal, and then a 23.9% increase for this fiscal in estimates, an increase of \$1 million. I'm just looking for the justification of the increase on that line item. It's on page 63, salaries and wages, the provincial-local finance division.

**Hon. Dwight Duncan:** I'll just get the ADM to respond—Sriram.

**Mr. Sriram Subrahmanyam:** I'm Sriram Subrahmanyam, ADM for provincial-local finance. To account for the increase, I guess, first of all, from 2007-08 to 2008-09, the division has responsibility for a number of important initiatives, and the government has made a number of important announcements in the area of property tax and provincial-municipal funding. Specifically, we made some enhancements to the property tax system, such as a four-year assessment cycle and a phase-in of assessments. We also recently announced the Provincial-Municipal Fiscal and Service Delivery Review, as well as provincial land tax reform.

These initiatives have required some additional policy staff. As well, we've had a significant increase in correspondence related to this. So part of this increase is related to additional staffing requirements for those initiatives. Some of it is related to impacts of collective agreements—salary awards and so on. I can give you a fuller breakdown—

**Mr. Tim Hudak:** I'd appreciate that, thank you, if we could have the full breakdown. I'm sorry; part of it is related to—did you say MPAC's collective agreement?

**Mr. Sriram Subrahmanyam:** It's just the normal provisions we have to make for collective agreements. We just have to put in a provision for those.

**Mr. Tim Hudak:** A number of those initiatives you announced started last year, continue this year and may not be into the future; for example, provincial land tax reform initiatives this year, the MPAC changes this year. Do you anticipate that we'll see this line item, then, decrease?

**Mr. Sriram Subrahmanyam:** It's quite possible because we're constantly reviewing this. It takes a few years to implement a number of these initiatives. We'll certainly be reviewing it this year and next year.

**Mr. Tim Hudak:** The increase in the services budget that took place last fiscal year?

**Mr. Sriram Subrahmanyam:** Right. From 2006-07 to 2007-08?

**Mr. Tim Hudak:** Correct.

**Mr. Sriram Subrahmanyam:** That's also related to the same budget initiatives. It's largely IT costs. First of all, the provincial land tax as well as the property tax phase-in provisions have resulted in additional costs for MPAC, which has to adapt its systems to account for these changes. So part of that is the costs for MPAC, which the province is picking up.

**Hon. Dwight Duncan:** Some of those would be in response to the Ombudsman's recommendations, as well as recommendations out of the Legislature.

**Mr. Tim Hudak:** Help me understand in terms of why these costs are borne by the Ministry of Finance as opposed to MPAC itself. What's the finance cost here?

**Mr. Sriram Subrahmanyam:** MPAC normally charges municipalities for its services. In this case, these were provincial policy initiatives, so the government decided it would bear the costs.

**Mr. Tim Hudak:** Could you give me a couple of examples of what those are?

**Mr. Sriram Subrahmanyam:** They're largely IT costs. I don't have them with me right now. I know it's about—we can get you more detail, but it's largely changing their systems to be able to account, for example, for a four-year phase-in. You have to provide a value for each property for four years, so that results in IT changes. Provincial land tax also, in the unincorporated areas, results in significant changes in their systems. They also, I believe, had to hire additional assessors for the unincorporated areas. We can give you a fuller breakdown of what those are.

**Mr. Tim Hudak:** The IT changes for the four-year phase-in, you'd mentioned—I imagine that's the increase in the services budget? Is that what it would fall under?

**Mr. Sriram Subrahmanyam:** In our budget, yes.

**Mr. Tim Hudak:** Again, help me understand. If MPAC is conducting the four-year phase-in, why is the cost being borne by the Ministry of Finance for the computer system or the IT changes?

**Hon. Dwight Duncan:** That was a political decision made because MPAC's costs are borne by municipalities. So, as part of our relationship with municipalities, we had made a decision as a government that we would absorb those costs so that they wouldn't be borne by local taxpayers.

**Mr. Tim Hudak:** Do you anticipate—

**Hon. Dwight Duncan:** The other point that I did want to make, Tim, as I reflect on your questions and on this particular line: The last time assessments went out, you'll remember the auditor did indicate and advised that we shouldn't send them all out at once and that we should stagger it, which we've done. That required, again, I believe—Sriram, correct me if I'm wrong—relatively extensive changes to both the computer system and the call centre, if I'm not mistaken.

**Mr. Sriram Subrahmanyam:** That's right, yes.

**Mr. Tim Hudak:** Then those costs are being borne by the Ministry of Finance under the decisions—

**Hon. Dwight Duncan:** We would bear them, yes.



**Mr. Tim Hudak:** Now that the assessments are out this year—they're going to be every four years—new assessments will only go out if there is a material change in the property. Do you anticipate, then, that the services line will go down next year?

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**Mr. Sriram Subrahmanyam:** Yes, I do. These are costs associated with the implementation of those initiatives, so as that implementation takes place, the costs should wind down.

**Mr. Tim Hudak:** Okay. Thank you. I want to turn now to page 67: same division, economic, fiscal and financial policy. This is a treasury board office. The item I'm concerned with and still, through you, Chair, I would request the FTE increases from 2006-07 through the estimates of 2008-09 for this item and the last one that I had addressed. So again, you go from \$13 million here in salaries and wages to \$21.3 million in two years. The increase this fiscal is 12.5%. What's happening at the treasury board office to justify that large increase in salaries and wages?

**Mr. Helmut Zisser:** The increases in—are we on page 67?

**Mr. Tim Hudak:** Exactly. The treasury board office, page 67: salaries and wages increase 12.5% this fiscal year.

**Mr. Helmut Zisser:** I don't personally have the details of the specific increase to the treasury board office in this one, but in general, when salaries and wages like this are going up, one of the major contributors is the provision that the ministry is making for the various collective agreement awards that we're required to provide to staff under the collective agreement. So that would be accounting for a large part of the increase.

**Mr. Tim Hudak:** But it wasn't a 12.5% increase. Surely this must be—

**Mr. Helmut Zisser:** No. That would be a large part, but the other details—we would have to get back to you with specific details on that.

**Mr. Tim Hudak:** Okay. Thank you. Similarly, on that same chart, services have gone up from \$5.5 million to \$26.1 million to \$42.9 million; a 57.2% increase in this fiscal year.

**Mr. Helmut Zisser:** And again, on that one we would have to get back to you with details on what initiatives were included in the ministry's budget to justify that.

**Mr. Tim Hudak:** What was the reporting entity project?

**Mr. Helmut Zisser:** I'll ask Bruce Bennett, Provincial Controller, to respond to that.

**Mr. Bruce Bennett:** Bruce Bennett, Office of the Provincial Controller, ADM.

The reporting entity project was a result of the requirement of changes in accounting standards to implement the consolidation of hospitals, school boards and community colleges into the provincial accounts.

**Mr. Tim Hudak:** You had budgeted \$16.8 million and \$1.8 million was spent. Did the project actually not transpire?

**Mr. Bruce Bennett:** What happened is it was, again, an initiative in the 2005 budget, and we maintained an estimate of the cost to implement that project, which was an initiative of education, health, and TCU. We retained the target for them doing the costs in finance for that particular year as a contingency, in the event that they didn't maintain their target for it. So, initially the demand was for higher costs, but we retained a certain amount in Finance, in case they needed to run over. The fact is, they came in below cost estimates, and so we didn't need the money for that final year.

**Mr. Tim Hudak:** I'm not sure, ADM Bennett, if this is your area too: the supply chain management project for the broader public sector. You're targeting a \$20-million, or a 67%, increase in that budget.

**Mr. Dan Wright:** My name is Dan Wright, BPS Supply Chain Secretariat.

**Mr. Tim Hudak:** A \$20-million increase in the budget this year has been estimated for your project. How do you justify the \$20-million increase under the fiscal circumstances?

**Mr. Dan Wright:** It's a good-news story, if I may say so. We're a secretariat that was set up four years ago to help broader public sector institutions become more efficient in how they're running their supply chains; for example, in the health care sector, hospitals alone purchase over \$2 billion a year of goods and services, the BPS overall purchases about \$10 billion a year. What we found in discussions with our broader public sector partners was that because of the emphasis on front-line services—patient care, teaching, research and so on—there was not very much emphasis on back offices. During the first three years, we ran a number of our projects—about 50 projects, some terrific success stories—and on the strength of that experience were strong encouragement from places like the Ontario Hospital Association. The government, in this year's budget, decided to increase our program both in terms of the number of institutions that we were able to address and the kinds of services that we were able to help our broader public service partners improve.

**Mr. Tim Hudak:** So, specifically, what will the \$20 million be used for, then? Is it for staffing or grants?

**Mr. Dan Wright:** Let me give you some concrete examples. In general, it is about improving how the supply chains, the finance departments, the HR departments of our institutions work out there. I'll give you a concrete example: the Ottawa Hospital, which is close to a billion-dollar institution. Three years ago, a billion-dollar corporation in this province—10,000 employees, close to \$200 million a year of purchasing done entirely using a paper-based system, and just a crazy way to run an institution like that. We gave them just shy of \$2 million. They're now saving close to \$2 million a year cash, all of which was directed back towards patient care.

What I like about that story best of all is not from the Ministry of Finance guy—I love the ROI stuff. What I love are the stories of the doctors and the nurses talking about how their lives are better because they're not on

hold for 10 minutes trying to figure out whether that widget is going to show up for the procedure, or where the parcel is—or, a really crazy thing, like they've got a choice between four items and they don't have to go through four different paper catalogues to figure out which one to buy. It's all there electronically for them: Bang, make your decision and move on. So on the strength of this—sorry for getting excited, but I do get excited about our program—

**Mr. Tim Hudak:** I think you've got a future in communications too.

**Mr. Dan Wright:** On the strength of this, despite even during, you can appreciate, all the tough decisions that are made every budget year, and on the strength of a PricewaterhouseCoopers external review completed last year, supervised by an external review committee, the government said, "You know what? Despite all the pressures for front-line services, these results are too good not to support even more than we already have."

**Mr. Tim Hudak:** So, largely, those funds work out as transfers. This is not a staffing increase, it's a transfer to support the—

**Mr. Dan Wright:** I'd love to have more staff. I don't know if the deputy would tolerate that conversation.

But no, that line is—you earlier question about vote 1203-8: I am the guilty party driving up the 12% increase in that, clearly, if we are going to be putting \$50 million out there to work, we have to be watching over that very carefully.

We actually now have hospitals—if you can believe this, and I hope my hospital colleagues won't be frustrated with me saying this into the public record—saying to us, "Could you provide us even more support? Could you be in our face even more?" I just met today with a hospital CEO, who said, "Why do I have conflict-of-interest rules in my hospital that are different from the conflict-of-interest rules?"—these are to do with relations with suppliers—"in the hospital just 10 miles down the road? Can you please provide us with even more support?" So, despite the fact that FTE increases are watched like a hawk around here, as I've learned in my three years in the public service, it was decided to give me a few more staff in order to provide more support for our province.

**Mr. Tim Hudak:** Terrific. ADM Wright, thank you.

I think you could keep this guy up here at the front.

I know, in the interests of time, Chair—

**Hon. Dwight Duncan:** If I can, though, I want to summarize a conclusion, if I could, as minister responsible—

**Mr. Tim Hudak:** Well, you know what, Minister, I have some time—

**Hon. Dwight Duncan:** He did point out that the government—

**Mr. Tim Hudak:** Let me—there are a few more questions I wanted to put on to get through this—

**Hon. Dwight Duncan:** Just one minute, though, Tim, because, if I may—

**Mr. Tim Hudak:** Well, the time's a little tight.

**Hon. Dwight Duncan:** The government has, over the course of a number of years—and I must say this began under your administration; that is, to help our broader public sector make better use of the resources we have. So, while it shows up as an increase here, the benefit is real and pronounced both in terms of the administration, in the instance that the ADM has cited, as well as in the services and the professional services rendered within the hospital.

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**Mr. Tim Hudak:** Terrific; thank you. Just for the sake of time, Chair, there are three other charts I wanted to call attention to, if the responsible ADM could just respond back: Page 71, the office of the provincial controller—again, the growth of salaries and wages and services from 2006-07 through 2007-08 to 2008-09; the Broader Public Sector Supply Chain Secretariat on page 73—we see some substantial increases, including 122% for salaries and wages this fiscal year, 144% for employee benefits and, again, we see an increase here of \$20 million on the supply chain management project, under that item. Lastly, page 75: Ontario internal audit division—again, a 25.8% increase in salaries and wages and a 20.3% increase in benefits since last fiscal year.

Chair, how much time do I have?

**The Acting Chair (Mr. Bob Delaney):** Two and a half.

**Mr. Tim Hudak:** Okay. A quick issue on MPAC: I think the ministry responded to my colleague Bob Bailey on the Lambton generating station and the MPAC's reassessment that has a substantial impact—a 47% drop in LGS's valuation. A letter from Tom Hughes, a constituent of Bob's—Bob is in social justice committee right now and asked me if you've had a chance to look into this issue yet.

**Hon. Dwight Duncan:** I have not had a response yet, no, Tim.

**Mr. Tim Hudak:** Okay. I know it's something that Bob is very concerned about because of the impact on the community. I appreciate the minister's response in the Legislature, and I know he'll be pleased to hear that the minister is concerned and looking into the issue.

Minister, MPAC's budget has increased substantially as well from 2003; it was \$145 million. In 2007, it was \$163 million. The figures aren't out for 2008 yet. Going forward, MPAC will be doing assessments every four years only and phasing them in. What kind of reduction in the MPAC budget will we see as a result of this reduction in workload?

**Hon. Dwight Duncan:** I'm not sure I agree that there will be a reduction in workload. I wouldn't agree with the premise of your question, first of all.

**Mr. Tim Hudak:** Assessments happen only every four years. There'll be fewer—

**Hon. Dwight Duncan:** They have to be updated and a lot of it is done on computer, as you know. I'll undertake to look into that and get back to you. I'll speak to the board. That is funded by municipalities, as you know. There are municipal representatives on the board. I'll



have to speak to the chair of the board and get back to you on that, Tim.

**Mr. Tim Hudak:** I appreciate that, and I asked because the ministry—

**Hon. Dwight Duncan:** But I do want to point out that I don't necessarily agree with the premise of your question.

**Mr. Tim Hudak:** I'll phrase the question in more detail, and as part of your response. The assessments will happen every four years now. While there will be assessment appeals and such and requests for reconsiderations this year, I would anticipate in future years, until the next assessment notice comes out, there will be fewer of those. So I'd like to know what kinds of efficiencies MPAC will have at out years and what the impact then will be on their individual budgets. The staff on the sunshine list has grown from 13 individuals to 40 in 2007. Has the minister had a chance to look into that increase in those on the sunshine list? But it's a tripling.

**Hon. Dwight Duncan:** Pardon me?

**Mr. Tim Hudak:** It's a tripling.

**Hon. Dwight Duncan:** Well, again, a lot of it, I suspect, would have to do with collective agreements and so on. The \$100,000 figure has been in place for, I think, 12 years now or—

**Mr. Peter Wallace:** Since 1996.

**Hon. Dwight Duncan:** So 12 years, roughly. So I'd have to look into that more deeply and get back to you.

**The Acting Chair (Mr. Bob Delaney):** And on that happy note, you're out of time. Mr. Prue.

**Mr. Michael Prue:** Thank you so much, Mr. Chair. I just have a few questions here related to recession spending, and I guess it comes back to what is being planned here in the province and what is being planned in conjunction with the federal government.

The first one is, in both the results-based plan briefing book and the fall economic statement much was made about the deficit-to-GDP ratio and it's cited as a sign of fiscal wiggle room. It's right now at 17.8%, I believe?

**Hon. Dwight Duncan:** Yes, and that's the accumulated surplus. There are three different calculations of it, but yes.

**Mr. Michael Prue:** Go ahead.

**Hon. Dwight Duncan:** Okay.

**Mr. Michael Prue:** Do you want to give me three? I mean, 17.8% is the only one I—

**Hon. Dwight Duncan:** That's the one I commonly refer to, but because of changing accounting rules there have been some adjustments done; there are other ways of looking at it. The accumulated deficit relative to GDP has decreased in the last few years. That is generally accepted as a measure of how well government is managing its deficits and its interest expenses particularly. So when you see a number like that, it's actually a good thing. When we came into office it was about—I don't have the numbers in front of me—23% to 25%. It has come down. That means we have paid down debt.

I think that most governments in the western world, and certainly the G20 governments that met in Washing-

ton, are now acknowledging the very real prospect of deficits, including our own federal government.

In the fall statement, I spoke about managed deficits. That's one indicator of whether or not a deficit becomes too large, and it's one indicator of whether you're managing a deficit well.

For instance, the same number for the federal government is still considerably higher than Ontario's, going back. It's rooted historically. I think the federal deficit eventually reached about \$42 billion by about 1993. Before a country can join the European Union, they have to get their debt-to-GDP ratio down. I forget what the number is, but I think it's below 25%. It's one measure of how large the deficit is relative to the economy, and it gives policy-makers and elected officials like ourselves an indicator of how large a deficit is relative to the strength of the economy.

**Mr. Michael Prue:** That's all well and good; I agree with every word. The question I was going to get to, though, is what kind of debt-to-GDP ratio would be healthy? Obviously, 17.8% is a healthy sign. You inherited 25%. We're going into a deficit budget this year, and if the prognostication that we're seeing out there around the world, not just here in Ontario, is likely to come to pass, we're going to see deficits in many countries, many provinces, for at least the next few years. Where can we expect to go, in terms of adding debt and probably declining revenues—they'll come together. It will make it difficult. Is the 25% that the European Union uses as high as we should go? Can it be some other number? Is it artificial?

**Hon. Dwight Duncan:** It's a good question. Do you know what? We haven't resolved that in our minds. I think that will be something that all of us will debate quite actively. I think you'll have a clear signal. We are now beginning our prebudget consultation—

**Mr. Michael Prue:** I'm not sure we're doing—oh, you are. I'm not sure the finance committee is. Anyway, go ahead.

**Hon. Dwight Duncan:** We're beginning ours. I'd urge the committee to start theirs early.

I don't have an answer to that right now. It's something I think all of us are going to have to put our minds around. The last NDP government raised the debt considerably, for instance. The debt-to-GDP ratio actually went up under the Harris-Eves government. It becomes a question of what's appropriate. In some ways, that will be subjective. We'll want to look at it from a range of angles, I guess. First of all, we're a subnational jurisdiction, so we don't have the same kind of ability that a national jurisdiction would have to eventually reduce it. Once of the things we did under FTAA was require the government of the day, when they run a deficit, to lay out a plan for how they're going to eliminate it, but we're just beginning to put our minds around that.

By the way, on the European Union figure, again I want to stress that I'm going by memory. I'm not sure that's the exact figure. But the point you raise is ex-

tremely valid. People may have different views. Candidly, at this point in time we haven't put our mind around that issue. We're discussing it, looking at it in the context of the continuing information we receive with respect to the performance of the economy. The budget will give a clear indication of where the government thinks that should be and how high it can go. That's the best I can give you right now.

1630

I'd be curious to know what you think it should be, just out of curiosity, if you were in a position—

**Mr. Michael Prue:** No, really, there's wiggle room. Right up to 20% would not cause me, as a critic, to stand up saying, "You're doing disastrous things." If you went to 30%, I might.

**Hon. Dwight Duncan:** The other thing—and I'm sure you've had a chance to talk to them—the credit agencies look at it when a government spends, the relative impact of a one-time expenditure this year on infrastructure versus an expenditure that compels annualized increases and how that grows into the future. That's the other side you'd have to put your mind around. A \$100-million investment in a capital project this year could have less impact on your debt-to-GDP ratio than a \$10-million operating increase in some area. But I do think it's a valid way of looking at what I talked about in the fall statement, the notion of a managed deficit and how you define that. That's one parameter that you can look at.

**Mr. Michael Prue:** Okay, just to go on from that, the November 10 Premiers' meeting appeared to arrive at a consensus that speeding up infrastructure spending is an appropriate fiscal tool to offset declining private sector economic activity. Have the provinces, yourself in consultation with the other nine provinces and perhaps territories and federal government, come to any agreement as to how to make this happen?

**Hon. Dwight Duncan:** Well, as you know, the federal government set up the Building Canada fund. We have signed our agreement with them; I think they've got signed agreements with all of the provinces, save and except one or two. I think the federal government has indicated a desire to get that money out more quickly than they've been able to up until now. I don't say that in a critical fashion; it's a very big program and it's complicated. There's agreement on that.

The provinces themselves have all had varying levels of infrastructure expenditure. Interestingly, Alberta is seeing a lot of development on the tar sands slow down and is looking at a number of investments. Quebec has outlined an infrastructure strategy, as have we.

To some extent, because of the forestry sector and the manufacturing sector, Ontario has been confronted with this sooner than some of the other provinces, so in a very real way, we're a bit ahead of the game in terms of the initiatives in infrastructure and training. I can tell you most of our provincial colleagues are looking at training opportunities. A number of them are looking at the Second Career strategy as an interesting pilot.

The big one is Building Canada. The Prime Minister hasn't indicated whether they're going to fund more infrastructure through that particular program, but I think all the Premiers and the ministers responsible—Minister Baird was here last week and met with George Smitherman to talk about getting those projects moving more quickly.

That's one of the reasons we set up our infrastructure with municipalities, because many municipalities had projects ready to go. Environmental assessments were done. Designs were done. They just didn't have the money, and that's how we did it. That's something that I know we talked about as finance ministers a couple of weeks ago in—where was that? Montreal?

**Mr. Peter Wallace:** No, it was in the Toronto hotel—the Sheraton at the airport.

**Hon. Dwight Duncan:** It was Toronto, sorry. These hotels all—

**Mr. Michael Prue:** I fully appreciate that. All of our lives are too whirlwindy. The Building Canada fund: Everybody wants the timelines sped up, but I haven't heard of any movement. What's the blockage on speeding them up?

**Hon. Dwight Duncan:** First of all, in fairness to the federal government, a number of provinces took a good deal of time to negotiate. I wasn't the minister responsible, so I'm kind of getting out of my area now, but as I recall there had to be a framework agreement and then individual project agreements. We have reached the framework agreement, and I think all the parties would acknowledge that we can all do better in terms of seeing these projects start to come on line. I'm going to have to refer that for a better-detailed answer to Minister Smitherman. I know we signed the framework agreement in July in London, Ontario. Now it's a matter of getting the agreements on the individual projects, if I'm not mistaken, Deputy. I'll refer that to George and try to get you a better answer.

**Mr. Michael Prue:** Okay. Let's go on to the next small little area.

It was pretty clear to me, from some of your statements in the past month, that the MUSH sector cannot count on the increases in support it has relied upon in the past few years. I think you were pretty blunt. Does this imply, though, that the province is expecting to cut back infrastructure transfers to the MUSH sector? Because obviously building schools, hospitals and other things, refurbishing them, greening them and all of that is also a worthwhile goal. Can they expect not to get infrastructure money?

**Hon. Dwight Duncan:** I don't want to use a double negative here. No. Our intention is to continue on the infrastructure and capital side that gives us some additional flexibility. However, as you know, in the fall statement, in terms of schools, we can't do as many as quickly as we would like. As I've indicated before, one of the things that the provincial-municipal service delivery review did, in my view, is that we can work together with our partners in the broader public sector, whether it's the



education sector, the health sector, to say, "Look, if we can get over this hump in the next couple of years, when growth returns to the economy in a meaningful way that produces revenue growth that will allow us to not only sustain but return to a climate where we can invest more money, both on the capital and operating side, I hope that we can come to arrangements in these next two critical years."

Most of the economists that you talk to, basically, are now pointing to mid-2010 before we see any kind of meaningful growth returning to the economy, so the next year and a half, as I indicated in my fall statement, because in the last budget, as you know, I projected out expenditures for two years. Even though those projections are at a fairly high level, our partners in the broader public sector will often take them and do kind of a rough calculation as to what that would mean for their budgets, both on the capital and operating side. The signal—I shouldn't say "signal." I wanted to very clearly say that given what has happened in the world economy and given what's happening to our revenues, it would be unrealistic to use those projections to base their decisions a year or two years down the road at this point in time.

**Mr. Michael Prue:** Now, I recognize this is a political hot potato and I guess a great conundrum to governments. It would be, I guess, if I was the finance minister.

We have a lot of schools in Ontario with declining enrolment, and there's the very thorny and difficult question of whether to close down some or not use some or use them and transfer them to other purposes—daycare centres or the like. Some of them are in pretty bad shape and require repair. Are there any plans? How are you going to do this? This is the MUSH sector. The infrastructure will be requested, I'm sure. Has the government got any plan on how you're going to deal with this and whether you're going to say yes or no?

**Hon. Dwight Duncan:** Yes to—I'm sorry, deal with what?

**Mr. Michael Prue:** Well, with schools; with declining enrolment and the utilization of the schools. Some of them are in bad shape. Some of them will need repairs.

**Hon. Dwight Duncan:** We do have a policy for repairs to schools. In some instances it's determined that it can't happen. One of the issues I know my colleague Kathleen Wynne is wrestling with is the so-called "benchmarks" for new schools and repairs to schools that have not been adjusted in a number of years.

**Mr. Michael Prue:** I think that was what I was getting to.

**Hon. Dwight Duncan:** We are faced with very real constraints. I forget the sums that we've invested up until now, but clearly, if you increase the benchmarks now, you're going to be able to do fewer schools. That's a very real consideration.

The other challenge I know she's wrestling with is, we're seeing, in different parts of the province, different abilities to build within those benchmarks, resultant from different labour circumstances, cost-of-production circumstances and so on. Again, that is a question that

Kathleen can give you a more complete answer on. Suffice to say we just put another, I believe it was \$500 million, into projects that had been announced that weren't meeting the benchmarks so that those could continue on. There are a number of schools across the province that are going to benefit from that. Kathleen is looking at the whole benchmark issue.

1640

Again, what we were talking about: Shared services and purchasing is saving money within the broader public sector, and that money is in turn being reinvested. Dan used the hospital example, but I think the same can be said for the school systems. That money will be reinvested in those kinds of front-line services.

I'm going to relay your question to Kathleen for a more detailed answer than I've been able to give you.

**Mr. Michael Prue:** I've got about four minutes, so I have one last question on this topic. Clearly, municipalities have long lists of infrastructure needs. Many municipalities—unfortunately, too many—have been rejected from various funding programs simply because the program was oversubscribed. There are a lot more people looking for good money and good projects than there is money available. Wouldn't one way to speed up infrastructure projects be to simply provide the grants to these construction-ready projects? We could do it really fast.

**Hon. Dwight Duncan:** You're absolutely right. That was a particular problem for smaller municipalities. That's what we've done since my last budget. The MIII funding and the Investing in Ontario Act funding was allocated roughly on a per-capita basis, as opposed—

**Mr. Michael Prue:** But aren't there still more that haven't been dealt with?

**Hon. Dwight Duncan:** I'm sorry?

**Mr. Michael Prue:** Aren't there still more municipalities that have not been able to get this, in spite of what you've been trying to do?

**Hon. Dwight Duncan:** No. In the last two major projects, we've very clearly changed the criteria. You're absolutely right, and we heard this repeatedly, particularly from smaller municipalities: In the old days, they'd have to go out and spend a whole bunch of money—because they don't generally employ the engineers and so on to do these projects—and then they might not qualify. In the case of Investing in Ontario and MIII, that money is allocated on a per capita basis and it goes across the entire province to all of our municipal partners.

**Mr. Michael Prue:** So you are ready, then. If there are any projects out there, you're ready to go right away.

**Hon. Dwight Duncan:** In fact, with Investing in Ontario and MIII, the whole idea was projects that were ready to go. Every municipality got the money. They didn't have to apply for it. It was allocated roughly on a per capita basis. With the MIII money, I know many of those projects are now complete.

**Mr. Michael Prue:** But there are no municipalities still on a waiting list today?

**Hon. Dwight Duncan:** Not that I'm aware of—unless those programs were established prior to the 2008

budget. I think there was still some COMRIF money outstanding, but it's a small amount.

We have very clearly made the shift to this allocation on a per capita basis. It was a particular problem for smaller municipalities—to not have to spend a whole lot of money, because more often than not, they may not qualify.

**The Chair (Mr. Tim Hudak):** To the government members: Mr. McNeely, 20 minutes, sir.

**Mr. Phil McNeely:** This morning, Minister, you touched on the increased apprenticeships in Ontario. I'd just like to know if you have more details on where we're going with that.

**Hon. Dwight Duncan:** We're going to go up to 32,500 positions over the next four years. That, I believe, represents a 25% increase. That is one of the five key components of our five-point plan: investing in skills and training. There will be \$75 million over the next three years, rising to \$50 million annually by 2011-12, to expand that number of apprenticeships.

In spite of the enormous challenges in the economy today, for a number of these skills that we're identifying, we're still seeing a shortage of skilled trades. Our desire, obviously, is to not only create the training opportunities, but to get people into those training opportunities so that once they complete their apprenticeship, they can share in the benefits.

One of the real challenges we're going to have, once we get over this rather big hump that we've run into, with the sheer number of projects that we're looking at, particularly on the energy side and the health care side, is having enough companies and enough workers to do all the work that needs to be done. That is already challenging us in some parts of the province.

**Mr. Phil McNeely:** Having sufficient trained tradespeople will continue to be a problem, then. Are there tax credits for the corporations that wish to have training?

**Hon. Dwight Duncan:** Yes. That's called the apprenticeship training tax credit. This was introduced in 2004. It goes by the acronym ATTC, and encourages employers to hire and train apprentices in skilled trades. It's a 25% refundable tax credit, 30% for small businesses. It's available to businesses on wages and salaries paid to qualifying Ontario apprentices in the construction, industrial, motive power and certain service trades.

The co-operative education tax credit: this is a separate one. Ontario businesses are eligible for a 10%—again, 15% for small businesses—refundable tax credit on the wages and salaries paid to qualifying students enrolled in a recognized post-secondary co-operative education program.

And then, for Ontario personal income tax purposes, tradespersons and registered apprentice vehicle mechanics may deduct up to \$500 from their employment income for the cost of eligible tools exceeding \$1,019. Registered apprentice vehicle mechanics may also, under certain circumstances, claim an additional tax deduction toward the total cost of eligible costs.

So I guess, Phil, the long and short of it is, you can have all the apprentice training positions in the world, but if you don't have employers hiring these young people—or anybody, for that matter, who's completing the school or academic portion—they won't be able to acquire the skill. So we have these tax incentives to encourage employers to hire trainees and co-op students so that they can, in fact, meet all the qualifications for an apprenticeship skilled trade.

**Mr. Phil McNeely:** I know you discussed it this morning, and it was the employment that comes out of the infrastructure investments. I think the Federation of Canadian Municipalities commissioned a report by Informetrica that showed that, for a \$1-billion investment in infrastructure, it was something like 15,000 jobs, but a \$1-billion tax reduction would only produce 4,000 or 5,000 jobs, about one third. Do you have any comments on that? That report interests me. I didn't read it, but I read the comments on it.

**Hon. Dwight Duncan:** I have not read the full report. What I can tell you, however, is that in the context of our five-point plan, we deal with both. We deal with infrastructure on the one hand, but also with what we term broadly “reducing business costs.” Reducing business costs not only involves tax cuts, which we've done—we've eliminated the capital tax for manufacturers; it'll be fully eliminated for all Ontario businesses by 2012. We have reduced and equalized the business education tax across the province and we accelerated that for the north this year, at the request of the Canadian Federation of Independent Business. So we do both.

We also, when we talk about lowering business costs, have a very aggressive approach to reducing regulation. I think our major accomplishment in our first administration was the harmonization of the collection of corporate taxes, the provincial-federal harmonization, saving, I think, \$400 million for corporations in Ontario in terms of compliance costs and so on. We routinely now have an ongoing effort looking at reducing red tape for business.

So we actually do both. We invest in the infrastructure that has huge and immediate—once we start work—employment impacts. Secondly, we've also taken the approach that targeted tax cuts in select areas are an appropriate tool to help stimulate growth in the economy.

**Mr. Phil McNeely:** We have, sitting in Ottawa, I think, a \$200-million commitment from both the provincial and federal governments for public transit.

**Hon. Dwight Duncan:** Yes.

**Mr. Phil McNeely:** Because of changes in the plans we haven't got those dollars near to producing jobs yet. I'm just wondering if there's any advice that you could offer for the city on that. I know the problems of it, that it's dedicated to public transit and public transit is very important. They're getting closer to the final light rail plans. They have to be reviewed by the province and the federal government to make sure that the ridership has increased with public transit. Do you have any advice there, or is that \$200 million going to sit there until we're



able to get ahead with the public transit? If you don't wish to answer that, I'd just like your comments.

**1650**

**Hon. Dwight Duncan:** I don't like to offer advice on things that I'm not entirely conversant on; I'm a little bit. I have kind of a high-level understanding.

I guess the only advice I would have is, now's a good time to get on with it and start spending that money, because even though the economy of the nation's capital tends to be more stable over time than other parts of the province, Ottawa is still going to feel the impact of what's going on.

In my view, having taken the public transit, OC Transpo, in the past, there's a need for dramatic expansion. My hope is that the appropriate authorities can work together to start moving forward and that the community come together so that that money can actually be spent, first of all in the short term to create some jobs, and in the long term to improve the comfort, safety and accessibility of public transit for so many people in the nation's capital region.

**Mr. Phil McNeely:** The Windsor-Detroit border, of course, is where—what is it?—80% of our goods go through for export to the US?

**Hon. Dwight Duncan:** Yes.

**Mr. Phil McNeely:** And it has had a lot of—I was with the Ministry of Transportation—importance put on it to make sure that we kept that access open. I suppose it's not as busy today as it was, but how's the infrastructure there? How does that tie in with international trade and that export sector?

**Hon. Dwight Duncan:** The Premier has identified the new border crossing at Windsor-Detroit as the most significant capital project for the Ontario economy. We're now just about complete in the study phase. The Detroit River international crossing study we'll be submitting to our colleague the Minister of the Environment, the completed EA, for his either rejection or approval, occurs this month, as I understand it. He has a certain period of time—I forget the amount of time—to respond and to either give it a thumbs up or to reject it.

Between the new roadbed leading to the new border crossing and the new border crossing itself, we're probably looking in the area of \$5 billion. On the Detroit side, there's massive construction already going on on the I-75 interstate highway system that connects with the existing border, which is continuing on. That was, I think, a \$250-million US project that was launched several years ago by the government of the United States and the state of Michigan.

So the work is done on both sides of the border, as I understand it, or near completion on both sides of the border. It will involve a new border crossing. That has been the position. The direct process, there are four governments that are signatories to that: the government of the United States, the government of Canada, the state of Michigan and the province of Ontario.

The environmental assessment and design processes have been going on on both sides of the border. More

trade crosses that one border crossing than the United States does with Japan, to put it into context.

You're right: There's been a decrease, particularly since 9/11, in the absolute volumes. However, we've seen this before, and it's tended to track up. So this project will be what I would call a hundred-year project. In terms of the existing border infrastructure, both the bridge and the tunnel were built in 1929, for instance. So this is needed; it's agreed to by four governments.

We're nearing the end of the study phase with the completion of an environmental assessment, and it's the hope of our government that we can get on with construction as soon as possible. First of all, the Windsor-Detroit area has been just hammered in this economic situation, just hammered. I think in my hometown of Windsor, we have the highest unemployment rate in the country. We estimate that this project will create somewhere between 12,000 and 15,000 jobs over the life of the construction, which would take four or five years. The last time I was briefed, things appeared to be on track for completion by about 2013. Again, when you talk to the manufacturing sector, any number of our corporate citizens, they all see this as perhaps the most important thing government can do to assist them transition into the new economy.

**Mr. Phil McNeely:** Chair, Mr. Naqvi would have some questions now.

**Mr. Yasir Naqvi:** We were talking about training of skilled workers earlier on, and I was hoping, in that context, you could talk about support for new Canadians in this particular budget or in previous budgets, as we try to integrate them into our workforce as well.

**Hon. Dwight Duncan:** Yasir, we talked a little bit about that this morning, and I did want to get on the record a few more points.

Ontario is now spending about \$160 million each year, through several ministries, to help newcomers settle here in Ontario in their new home, improve their language skills and find jobs through training programs that bridge their credentials into Ontario qualifications. In addition, we launched the pilot provincial nominee program in May 2007 to nominate individuals for permanent residence based on skill shortages in the labour force.

The 2008 budget also provided \$30 million more over three years to enhance English-as-a-second-language services for adult newcomers and support more of what they call "bridge training."

Immigration has been a key factor in our highly educated workforce. Diversity is one of our great strengths. In 2006, Ontario welcomed 126,000 newcomers, half of all immigrants to Canada. Talented people from all over the world help make Ontario competitive in the global economy, and policies that promote faster and more effective integration of new Canadians will continue to be a priority.

The other thing that I noted this morning, the United Way of Greater Toronto, in their look at poverty in Toronto, cited the correlation and the challenges that new Canadians have. We simply have to do a better job, in my

view, of helping those people because, quite candidly, the one thing we do know in the long run is that it's that growth in immigration of new Canadians that will allow the productivity in our economy to improve, and that will help sustain the quality of life that we all live. Just looking around the room here—I know my grandparents came to Canada—Mario and Amrit, you're new Canadians. That will have to continue to grow if we're going to sustain the quality of life we've experienced over the last century.

**Mr. Yasir Naqvi:** I want to talk a little bit about social services which are provided: 211 is a service which has been hailed as a great asset in terms of new Canadians, for people in our community to have access to. I know in my community in Ottawa alone—and MPP McNeely and I were at the launch of the 211 service in Ottawa, which is partly funded by the provincial government through provisions made in the last budget. I was hoping that you could illuminate for us what that funding is like and the kind of impact it can have on our communities.

**Hon. Dwight Duncan:** Yasir, I first became aware of it back in 2006, in the lead-up to my budget in 2006, when I was pinch-hitting for Greg Sorbara. It was the United Way across the province that was promoting the concept, and we began some work then, and then, this year, I was able to announce \$13 million that will see 211 available right across the province—I believe it's in this fiscal year.

It's a wonderful service. People can dial 211 and get a qualified person who can give them advice on a range of public services. In my home municipality of Windsor, the local government there introduced 311 service a few years ago. This is an outstanding service. You can call, you can do everything from paying your taxes to getting information about when your garbage will be picked up. I've used that service myself on a number of occasions. So this is already up and running in a number of communities. We want to make sure it's available everywhere.

Quite candidly, the government of Ontario—when I first started looking into this at the time back in 2006—I forget—had literally hundreds of 1-800 lines. For somebody now to get help on any range of social services available in their community, government services, simply by dialling 211, once it's fully implemented, you'll get a very well trained person who will be able to assist you in accessing those services. I think people from all walks of life, in all parts of the community and all parts of the province, will find it a very useful service. It was heavily promoted by the United Way right across Ontario, and so we were pleased this year to be able to fund it so the entire province has access to it.

1700

**Mrs. Amrit Mangat:** Thank you, Chair. Minister, last Friday an elderly couple and a cigarette smuggler were killed in a fatal crash. What are you doing to combat cigarette smuggling?

**Hon. Dwight Duncan:** That comes under the Ministry of Revenue, which is now part of my responsibilities.

There is a whole range of enforcement mechanisms we have undertaken over the course of the last several years. It's a challenge; there's no doubt that it's a challenge. Unfortunately, I'm not able to go into a lot of the enforcement strategies we have undertaken in any great detail. I can tell you, and you will find and see through the public accounts, that there have been increases in expenditures in terms of managing that function. So we continue to work on it.

It's an enormously complicated file. It's complicated by the international border; it's complicated by our relationship with First Nations. There are a number of challenges associated with it, but it continues to be what I would call a fairly major problem for governments, not just in Ontario. Because of our size and the size of our border, I think it's probably as big a problem here as anywhere. Quebec experiences similar challenges and so on.

**Mrs. Amrit Mangat:** In the 2005 budget, the government introduced the Reaching Higher initiative to improve access to post-secondary education. We now know that we have the highest number of people in post-secondary education in North America. Can you throw some light on how this has actually worked?

**Hon. Dwight Duncan:** How has it worked overall?

**Mrs. Amrit Mangat:** Yes.

**Hon. Dwight Duncan:** Reaching Higher, I think, is the most significant multi-year investment in post-secondary education and training in more than 40 years. It is \$6.2 billion in new investments by next year, and we've already seen significant results. Let me give you some examples: about 100,000 more post-secondary education students, an increase of 25% since 2002-03; 150,000 students per year are now benefiting from the Ontario student aid program, OSAP, from the enhancements that were introduced since 2004-05—

**The Acting Chair (Mr. Bob Delaney):** And a one-minute warning.

**Hon. Dwight Duncan:**—expanded opportunities for francophones, aboriginal peoples, people with disabilities and first-generation students whose parents did not receive post-secondary education, \$55 million by 2009-10; a target of 14,000 more graduate spaces by 2009-10; and then 160 new first-year undergraduate spaces in medicine, including the new Northern Ontario School of Medicine.

**The Acting Chair (Mr. Bob Delaney):** With a little bit of change to spare, Mr. Hudak, it's yours.

**Mr. Tim Hudak:** Thank you, Chair. Minister, as I think you know, the average retail price of homes has plummeted in recent months in various parts of the province; you're certainly well aware of that in your own neck of the woods in Windsor. Here in Toronto from October 2007 to October 2008, the average price declined by 15% and the number of resale homes is down 38%. Despite that drop in price, you're still locking homes in at the assessed value on January 1, 2008, at the height of the hot housing market. In light of the drop in



the value of homes in the province, will you consider the base year for assessment?

**Hon. Dwight Duncan:** No. The assessment change doesn't reflect a tax change, and it's much more efficient to simply adjust the mill rate, which is what municipalities can do.

**Mr. Tim Hudak:** If somebody built a new home, my understanding from MPAC is that they will try to determine its value on January 1, 2008, even though the home didn't exist at that point in time. Clearly, the value of the home they may be purchasing as a new home will be lower than the assessed value. Do you think that's appropriate and fair?

**Hon. Dwight Duncan:** There's no system that's entirely perfect or entirely fair. As you know, your government went through seven changes to the act. Over time, I'm confident that housing values will again grow when the economy changes and these large fluctuations will be ameliorated. Again, it will be up to municipalities to manage their mill rate in a way that takes into account changes in the assessment, whether positive or negative. In the case of my community, the assessment on my own home declined about 3%, and probably the market value is somewhat more than that. But again, the municipality can adjust the mill rate to reflect that.

**Mr. Tim Hudak:** There's an interesting difference in terms of the drop in the value of homes in Toronto. It's 15%, while the rest of the 905 area is 8%; again, that's October 2008 compared to October 2007, so it has dropped at almost twice the rate. Your government has given Toronto the ability to put in its own municipal land transfer tax. To what extent do you think the larger drop in Toronto is attributable to this new tax that has been brought in?

**Hon. Dwight Duncan:** I don't think it's attributable to that at all. I think that the councillors and the mayor of the city of Toronto will act in a fashion—we have to rely on them to act and manage the affairs of Toronto in the way they see fit. They are elected by the people to do that. If the people aren't satisfied with that, they have recourse to change it at the next election. I don't think I would agree that the introduction of that had anything to do with it.

**Mr. Tim Hudak:** Then how do you reconcile the 15% drop in Toronto, when in Mississauga, for example, it's an 8% drop?

**Hon. Dwight Duncan:** Well, first of all, there are very different circumstances, a very different age of neighbourhoods in many instances. How do you reconcile the fact that communities that have had tax cuts are seeing property values plummet? That has happened too. Did property values plummet because of that? I don't think so.

I think that Toronto has a number of enormous challenges. I'm not going to comment as to how well or how badly the corporation of the city of Toronto manages its affairs. The people of Toronto elected a mayor and a council to deal with those issues. To suggest that the challenges in the housing market in Toronto are the result

of that land transfer tax—Tim, I just don't agree with you. I think you're seeing it in Calgary, you're seeing it in Vancouver, you're seeing it in Edmonton; you're seeing it in virtually every major housing market, particularly where there has been rapid growth. I'd also want to see what the relative rate of growth has been in Mississauga versus Toronto over the last few years, in terms of the price rising. I don't agree with you; I don't think that tax is the reason for that. I don't even think it's really a significant part of it.

**Mr. Tim Hudak:** It's not just me; the Toronto Real Estate Board has made its case quite vociferously.

**Hon. Dwight Duncan:** I don't agree with them. I respectfully disagree. I know they didn't agree with the policy of the city of Toronto. They will have to take that up with the mayor and members of council of Toronto.

They chose to take advantage of the opportunity—we did give them the ability to do that. We made a conscious decision to give Toronto the tools we felt were appropriate and that they needed in order to address their concerns.

**Mr. Tim Hudak:** Your government has no intention of extending the municipal land transfer tax to other municipalities than Toronto?

**Hon. Dwight Duncan:** Not at this moment, no.

**Mr. Tim Hudak:** My colleague Bob Runciman asked if I could bring this up, and I think it's a good issue as well, dealing with property assessments. Previous to your government, citizens could engage property tax agents to help make their case at the ARB—

**Hon. Dwight Duncan:** I'm sorry, they could engage whom?

**Mr. Tim Hudak:** Property tax agents, individuals who have some skill and knowledge in assessment—maybe retired assessors, that sort of thing—to help represent them with their case at the ARB. Your government made a change that no longer allows property tax agents to represent individuals at the ARB; it can only be lawyers or paralegals. I think you know, Minister, that if somebody wins one of these—a middle-class family or a senior, for example—their tax savings are probably in the hundreds of dollars, so paying for a lawyer to do that is prohibitive.

I don't think you were minister at that time—you may not have knowledge of this change—but do you think it's fair? Why couldn't somebody hire a retired assessor to help make their case at the Assessment Review Board?

**Hon. Dwight Duncan:** I think you need to tell the whole story, though. We also put reverse onus on MPAC, at the recommendation and behest of the provincial Ombudsman, which means that in the old days, if MPAC raised your assessment, you had to go and fight them. Now it's the reverse, based on the recommendation of the Ombudsman. So I think that helps that.

I would have to go back and review the reasons. I know there were some challenges about quality of representation. I know there were issues around how people credentialed themselves. I think with all the changes resultant from the Ombudsman's report and the work we

have done, particularly on the reverse onus issue, that that in my view would be largely a moot point.

1710

**Mr. Tim Hudak:** But if there were a concern about credentialing, why not then bring in some sort of system of credentialing rather than banning—

**Hon. Dwight Duncan:** Well, we do. It's called lawyers. People who are certified by the Law Society of Upper Canada have specialty. You can contact a professional. You can contact a professional governing council with a complaint. If there's bad service, you've got one term to describe them. I have not seen evidence that that's been a particularly onerous change, and I think, more importantly, that the whole reverse onus initiative that we undertook was far more important to ensuring that average citizens are fairly protected in front of MPAC in terms of their assessments.

**Mr. Tim Hudak:** But you do understand how, say, a senior citizen who was fighting to have her assessment reduced would save a few hundred bucks for a modest home while a lawyer would be unaffordable?

**Hon. Dwight Duncan:** Not necessarily, if she's not properly represented. I mean, fraud against senior citizens is rampant in a whole number of areas. People hold themselves out as having an expertise that they don't have, and these poor souls, particularly seniors, can be vulnerable to this and may go in thinking they've got somebody who's an expert or knows or is well trained in the field and in fact they're not. So no, I don't agree with you on that. In fact, it may wind up costing them more because they weren't properly represented.

**Mr. Tim Hudak:** So you're concerned that these tax agents are a bunch of fraudsters?

**Hon. Dwight Duncan:** I didn't say that. I talked about credentialing and you said, "What's a legitimate credential?" I'd say a law degree and a member of the law society. As I say, the other changes we've made, in terms of reverse onus particularly, I think do protect.

No, I didn't suggest that at all, but I'm given to understand that there were some real situations where people were not properly represented, and I think the steps we took at the time were appropriate.

**Mr. Tim Hudak:** Minister, golf courses have been assessed by MPAC based on a calculation of their income from green fees, memberships, cart rentals, pro shop sales, food and beverage income, etc. The golf course owners' association formed a committee that was meeting with MPAC to try to find a better way of assessing golf courses. Discussions were advanced. The election occurred in the fall 2007. I wonder if there's been any progress made that you're aware of in that respect since?

**Hon. Dwight Duncan:** No, Tim, I'm not aware of that. I'll undertake, however, to get back to you to see what, if anything, has happened.

**Mr. Tim Hudak:** Terrific. Thank you. Another issue that pops up on the assessment side is the determination of industrial property class, specifically Ontario regulation 282/98. I'll give you an example. Industrial prop-

erty class includes areas of retail sales by a manufacturer, producer or processor of anything produced in manufacturing, production or processing if the retail sales are at the site where the manufacturing, production or processing takes place, but not on land to which section 44 applies.

In short, there's a potter in my riding who does pottery in the back, has a retail space in the front, and the whole property is assessed industrial, which you know is a higher level of assessment or a higher rate of tax than commercial. So artisans like that—denturists, print shops, software developers etc.—are finding themselves at a higher level of taxation.

The Beaubien report, for example, in 2002 had recommended making a change to that definition. Have you or your ministry looked at adjusting that definition?

**Hon. Dwight Duncan:** That report was by Marcel Beaubien?

**Mr. Tim Hudak:** Yes, exactly.

**Hon. Dwight Duncan:** I haven't at this point. I'll go back and have a look at it, Tim. Again, I've heard these concerns raised by some. I know it was done in 2002, and your government had almost a year and a half after it was done and chose not to move on it. But I'll undertake to go and have a look and see what, if anything, has been done.

**Mr. Tim Hudak:** Marcel Beaubien, of course, the then member for I think Lambton-Kent had brought forward this report. It was being reviewed by the government. I'm sure the Ministry of Finance continued to review it, and if you had a chance to go back and look at it—I know it's been a number of years. He recommended that retail sales premises be removed from the industrial class and included in the commercial class. Mr. Beaubien's point was, there's a general policy under the Assessment Act that the assessment value of mixed-use properties should be apportioned among different tax classes based on the use of each portion of that property. Therefore, he argued, the same policy ought to apply to different activities that occur within industrial facilities. This issue may not be at the top of the list, but I know small businesses would appreciate it, Minister.

**Hon. Dwight Duncan:** I'll go back and have a look and see, if we have enacted, if there's a reason we have enacted, and what that is and report back to you.

**Mr. Tim Hudak:** My colleague Mrs. Mangat asked about tobacco tax revenues. In 2004-05, it was about \$1.5 billion to the province. This year, you estimate it's about \$1.1 billion. For each of the last three years, the actual revenue that has come in has fallen below projected, getting close to half a billion dollars. How much of revenues do you think are lost to the province through the black market?

**Hon. Dwight Duncan:** A substantial portion, Tim. I haven't heard a precise figure. I think it's difficult to put a precise figure on it, but I would think that it's a very substantial portion of it.

**Mr. Tim Hudak:** Where is the major problem occurring?



**Hon. Dwight Duncan:** Well, as I understand it, there are a number of points. It involves borders and it involves First Nations. The actual sales are taking place, I've heard from MPPs, in the variety stores and the corner stores in their own ridings and people coming into apartments in their ridings with the contraband tobacco. It's a terribly difficult thing to police.

**Mr. Tim Hudak:** You mentioned in your response to Mrs. Mangat that the relationship with the First Nations is a delicate one, obviously, but a central one in trying to solve this problem. Can you be more specific? What is the issue there?

**Hon. Dwight Duncan:** Well, there is a range of issues around our relationship with First Nations. In terms of what they can and cannot do, what they can and cannot sell, it's tied in not just to the tobacco issue itself, but to other issues that are part of what I would call a broad range of issues affecting our aboriginal people that I think require patience and a willingness to work together to resolve, although we may not be able to do it in the timelines or manner that would be acceptable to some people. It involves the whole relationship with First Nations, whether it's revenue sharing, whether it's land claims, whether it's all of the various social issues that challenge our First Nations and challenge all of us. I think we have to manage these issues within the broader context.

**Mr. Tim Hudak:** My colleagues in the Legislature have brought up the issue of illegal smoke shacks that are either on reserves or off or close to reserve properties. What is the Ministry of Revenue doing to shut down those operations?

**Hon. Dwight Duncan:** We work in co-operation with the federal government on reserves. We have a whole unit that looks at policing. We take what I would call a very carefully managed approach that won't create more problems by trying to solve a problem in a way that would cause greater problems in other areas.

**Mr. Tim Hudak:** Thank you. Another MPAC issue, and again, I'll give you more details; I do want to raise it. Shalom Manor is a long-term-care home in Grimsby in my riding of Niagara West—Glanbrook. They have 144 long-term-care beds which have always been exempt from paying property taxes. As part of its mandate, Shalom Manor included 36 assisted living units for seniors in the community, some family members of those who are in the long-term-care portion of the structure.

MPAC had visited after this was built and did not assess those properties. They deemed it part of the long-term-care home, and therefore exempt from assessment and property taxes. This year, MPAC shocked Shalom Manor and demanded not only assessment taxes for this year but back taxes as well, totalling \$147 million. MPAC's decision also—

**Hon. Dwight Duncan:** A hundred and forty-seven million?

1720

**Mr. Tim Hudak:** Sorry; thank you—I'm just looking at the ministry figures—\$147,000. They've taxed the

individual seniors who had lived in that home, some of who have passed away, so it's a preposterous situation where tax bills are being sent to individuals who are actually dead. I don't know if this issue has popped up in other parts of the province. Would the minister look into this situation on behalf of the residents—

**Hon. Dwight Duncan:** I'll look into it, absolutely. Again, now, you were talking about individual residents—they're being billed individually?

**Mr. Tim Hudak:** Yes. They've been sending bills, according to Shalom Manor, to individuals who had lived in the assisted-living units.

**Hon. Dwight Duncan:** That's in the assisted-living units.

**Mr. Tim Hudak:** Yes.

**Hon. Dwight Duncan:** Okay. And have they appealed the decision?

**Mr. Tim Hudak:** They're going to be moving forward with the request for reconsideration.

**Hon. Dwight Duncan:** The first piece of advice I would give them is to appeal the decision. I'll look at the policy implications of that decision and see if this has become an issue elsewhere. The government has proactively worked at trying to keep people living independently and in their own homes. I'm just going to have to look at the broader policy implication.

**Mr. Tim Hudak:** You had an interesting conversation there earlier with my colleague Mr. Prue about the auto sector and potential assistance for the Detroit Three. I know this is Minister Bryant, but the Ministry of Finance would be playing a significant role in this, and you as a representative for the Windsor area as well. Are the government's considerations limited to the Detroit Three or are you looking at other manufacturers as well?

**Hon. Dwight Duncan:** At this point, it's difficult for me to answer that because we haven't even had a formal request from the Detroit Three.

As you know, the Premier and minister met last Friday. There was no specific request other than to mirror whatever the United States does. Honda and Toyota were part of that meeting. They did not have any specific requests that I am aware of. Frankly, the emphasis has been, at this point, on the Detroit Three.

But again, I'm not aware that either Honda or Toyota are even interested, other than that part of the challenge they will have is that let's say one or more of the Detroit Three were to go under. It would likely pull down a number of parts suppliers who also supply Toyota and Honda.

We are just beginning our due diligence, Tim, working with the federal government. Minister Clement and Minister Bryant are going to Washington as part of that due diligence exercise. We will be engaging people to assist us in analyzing—

**Mr. Tim Hudak:** Sorry. A quick question, if I could. My time's running out.

I've heard from some government officials a concern that government should be telling automakers what kinds of cars to produce. There's some contemplation of an ownership share, I know, in the American discussions. Is

the McGuinty government considering telling the Detroit Three which types of cars they should be producing?

**Hon. Dwight Duncan:** No. But frankly, again, we haven't gotten down to, other than to acknowledge that we need to be at the table and we need to do our due diligence—

**The Acting Chair (Mr. Bob Delaney):** Thank you. You're out of time.

**Hon. Dwight Duncan:** Okay.

**The Acting Chair (Mr. Bob Delaney):** Mr. Prue.

**Mr. Tim Hudak:** Thanks.

**Mr. Michael Prue:** Thank you so much. I have one question, and then I'd like to get into securities.

This twiggd my interest, when my colleague Mr. Hudak asked the question about the city of Toronto and the authorities that were granted to them. One was related to the sale of properties, but the second one, which has not been nearly so contentious until now, has been the licensing of vehicles, which is done in conjunction.

The city has been collecting the new fee since September 1, 2008. When the city passed the new fee, they specifically excluded commercial vehicles from the tax. It was the intention of city council to exclude taxicabs. What has happened, though, is that according to the provincial regulations, only trucks are deemed to be commercial vehicles and cabs are not. So, despite the fact that the taxi industry is regulated and controlled by the city, the province is collecting the tax on taxicabs, contrary to what the city wants. Have you been told this or do you know about this?

**Hon. Dwight Duncan:** No, I haven't. I wasn't aware of that. Is anybody here aware of this?

*Interjections.*

**Hon. Dwight Duncan:** So this is new, Michael, and I don't think you've written to me on it.

**Mr. Michael Prue:** No, no, I just got this from—

**Hon. Dwight Duncan:** Well, why don't you—we'll make a note of it here, through Hansard, and we'll certainly follow up.

**Mr. Michael Prue:** All right. Because what has happened is that the taxi—I'll just explain and then you can follow it up. I don't need an answer. They have gone to the city, the CFO of the city of Toronto, who acknowledges the problems but says they are unable to make the correction because it rests with the province. So the taxicab industry has gone to the Ontario Ombudsman's office—I don't know why they went there—and the Ombudsman's office has told them it may take several years to get to the root of it. Then they sent me this copy asking if I could speed up the Ombudsman's office, which obviously isn't the right route. The right route is to ask you.

**Hon. Dwight Duncan:** I will endeavour to get back to you on it. This is the first I've been made aware of it, so—

**Mr. Michael Prue:** All right, so I won't ask this one in the House. I've asked it now, and I'll make sure you get a copy of this e-mail that I got.

**Hon. Dwight Duncan:** I see scrambling going on behind me as we speak. I suspect that we'll get on it right away.

**Mr. Michael Prue:** Because the taxi industry in Toronto is hurting and it was not the city's intention to charge them the tax, which is about \$60 a year and comes due, as you know, when people renew their licences.

**Hon. Dwight Duncan:** If it's not the city's intention—well, let me have a look at it.

**Mr. Michael Prue:** All right. Good enough.

The rest of my questions, as time permits, will relate to securities. Has the staff had a chance to look at my earlier question on the changing of the term "expert" in Bill 149? I asked that, I think, last week or two weeks ago or whenever.

**Hon. Dwight Duncan:** Not yet.

**Mr. Michael Prue:** No, not yet? Okay, we'll just leave that one.

Last December, the Toronto Star had an extensive series on investor protection and the many problems with securities regulators. One of the people quoted in the Toronto Star, Jeffrey MacIntosh—he's a securities law expert—made the following statement: "The oversight they supply is very little"—talking about the government—"and the politicians really don't take any interest." That was his quote. I just need to know, how many staff do we have from the Ontario government looking after securities?

**Hon. Dwight Duncan:** I'll get you the specific number, but I would take exception to what he says. I have now attended several meetings of ministers responsible, looking at a common securities regulator. We are, I would suggest, through the securities commission but even within the government, taking a very active interest in the file. As you know, Ontario supports the position of the federal government with respect to a common securities regulator. As I think I indicated to you a couple of weeks ago, Mr. Hockin is scheduled to release his report on how the federal government can move to achieve a common securities regulator around the beginning of December. I'm told that they're on track for that. So I would differ greatly with the individual quoted in the Toronto Star about that.

There's also another component of this that involves the Ministry of the Attorney General, as you would be aware. I can tell you that they too take an active interest.

Are there things that we can do better? Yes. I can tell you we've consulted experts and so on. The Attorney General looks at those kinds of enforcement provisions. But the biggest thing we can do in terms of a better regulatory climate, better enforcement, is a common securities regulator in Canada.

**Mr. Michael Prue:** And I think all parties agreed with you. We sat here and I sat in the finance committee nearly five years ago now and we advocated that, but we also said that we had to move ahead, because there is a very real possibility, with Quebec's intransigence and the intransigence of some of the other provinces, that we



may not get there. So five years have come and gone and we're still talking about a national securities regulator—

**Hon. Dwight Duncan:** The challenge is, what do you mean by “move ahead”? You won't have a common security regulator if you don't have the provinces. It would have to be the federal government to move ahead.

**Mr. Michael Prue:** And I understand and I think they're trying to move ahead, at least from some of the more recent news articles, but in the meantime we are stuck with the system we have and it's causing a great deal of concern, given the economic downturn, some of the difficulties, people being charged or not being charged.

**Hon. Dwight Duncan:** I agree with you that I think we'd all like to see the common security regulator move forward more quickly. I do, however, just want to put on the record that I have great confidence in the Ontario Securities Commission in terms of the regulation of our capital markets. There have been debates around enforcement, particularly of criminal activities, the difference between our jurisdiction and particularly the United States, different approaches, and so there's been what I would call an ongoing and lively debate on those issues. But I do believe that the Ontario Securities Commission does a good job of regulating markets. Is there room for improvement? I think Mr. Wilson and others at the commission would agree that there is.

1730

In terms of your frustration with the inability to move forward on the common securities regulator, I think that's something we all share, and I know it is certainly shared by the federal government.

**Mr. Michael Prue:** Is it possible for you to find out how many ministry staff are dedicated to securities regulation? If you don't know today, I can—

**Mr. Peter Wallace:** That's not something we can answer off the top—

**Mr. Michael Prue:** That's fine.

In that same article—maybe you can answer, or maybe you can find out—Minister Bentley was questioned about the fact that of the new crown attorneys hired, not one was a securities expert. Is this a concern? Should we have some crowns who understand this to do prosecutions?

**Hon. Dwight Duncan:** I think the article referred to new crowns. I believe we have crowns within the Ministry of the Attorney General who are in fact charged with this. Many of our initiatives with new crowns in the last couple of years have involved street violence and gang violence. Again, I would have to get a more detailed answer for you from the Attorney General on that.

**Mr. Michael Prue:** Does the government have any contingency plans in case the federal government doesn't go down the road we've been so patiently waiting on for the last five years?

**Hon. Dwight Duncan:** The federal government is going to go down the road. The question is about the

legal challenges that would likely emanate from that decision.

We were told that the Hockin group is reporting back to the federal government around December 1. My hope is that the report will be one that Ontario can in fact endorse, because we endorse the concept of a common securities regulator. Once we see that, then we'll have a better sense of how the federal government is going to proceed.

**Mr. Michael Prue:** There doesn't seem to be, in my view—and you can tell me whether it's your view as well—sufficient oversight to allow the Legislature to bring the Ontario Securities Commission in front of a review committee on a regular basis. It doesn't seem to happen as often as it should. As I said, it was some five years ago that it was before the finance committee. I see very little going on. Should we be bringing them back more often?

**Hon. Dwight Duncan:** Candidly, I don't know the answer to that. I'm not sure what the standing orders say with respect to your ability to call them as part of estimates. They'd be an agency like Hydro One or OPG, so I don't know the answer to that.

**Mr. Michael Prue:** It's only a comment. The revenues by security firms are now over \$10 billion. It's a huge, huge industry.

I guess I've got five minutes?

**The Acting Chair (Mr. Bob Delaney):** You've got 10.

**Mr. Michael Prue:** Oh, my goodness. I only have one question, although it's a really long one.

There has been a lot of criticism lately—I've had people come to visit me in the office, and I'm sure the minister has and probably Mr. Hudak has too—about the RCMP's integrated market enforcement team, or IMET. Some of the people are telling me that this organization lacks the sophisticated knowledge needed to prosecute financial crimes. They have told me that although people are charged, since this has been set up the number of actual convictions has declined at a precipitous rate compared to the old system. Should we be looking at this?

**Hon. Dwight Duncan:** Again, that falls under the mandate of the Attorney General. I have not heard from people about that specific aspect of securities enforcement. I would imagine that people with those kinds of concerns would probably take them to the Attorney General.

**Mr. Michael Prue:** But you are the revenue minister, and this does fall under your—

**Hon. Dwight Duncan:** Yes.

**Mr. Michael Prue:** Okay. I met with a gentleman who was a retired Toronto police detective, Gary Logan. I don't know if you've ever had the pleasure of meeting him, but he was really quite strong. He suggested the creation of a securities crime panel, a body that would receive complaints from securities crime victims. Many of the victims are of the opinion that they're not being listened to because of the structure, the way it's set up.

The people who investigate the claims are the same ones who prosecute. It's an in-house body. He has suggested, quite frankly, that it would be better to have a panel that would assess the complaint and then assign it the proper enforcement agent, whether it was municipal, OPP or RCMP. This would create a separation between the criminal and non-criminal complaints, between the police and the regulator and all of that. Is your ministry looking at doing any of this or sending it to committee, or asking, or are you waiting for the—

**Hon. Dwight Duncan:** Well, first of all, I haven't seen his report. I don't believe I've ever met the individual. I'm sure he's a very thoughtful guy. I have not seen it, I don't know if the Attorney General has and I don't know if the Ontario Securities Commission has. But we constantly oversee what's going on. We rely on the advice of a whole range of experts as we move forward. As I say, I've not seen this particular submission or proposal, so it's difficult for me to comment on it, but we do routinely meet with the OSC. I meet with Mr. Wilson monthly; we do talk about enforcement issues. Some of them do overlap with the Attorney General and some of them overlap with the federal government as well. It's hard for me to comment on something I haven't seen specifically, and I don't know if he's taken that to the Attorney General or to the securities commission.

**Mr. Michael Prue:** Should I pass along his number to your office?

**Hon. Dwight Duncan:** You might want to ask him to put it in writing. If he's put it in writing, I'd be delighted to have a look at it and pass it on to appropriate officials.

**Mr. Michael Prue:** More a comment: Five years ago, and I've not seen all the statistics of late, when the finance committee sat down and took a really in-depth look at this for several weeks, one of the surprising statistics that bothered me then and continues to bother me is that the Ontario Securities Commission lays about one charge a day against people who are trading. The number was expected to go up. We're having people and pension plans losing enormous amounts of money, and the number of people who are being charged continues to be in the range of about one a day, I'm given to understand. Nothing has been done, really, in the last five years to try to toughen up this process. Are there any plans at all to toughen it up?

**Hon. Dwight Duncan:** I would have to differ with you. There have been a number of steps taken over the course—and I've only been involved with the file, really, in the last year. My first go-round at finance, I didn't have the securities commission as part of my mandate. I got it last year. There have been a number of steps taken. Also, you can't ignore that in addition to the enforcement activities at the securities commission, there are self-regulating aspects of it that have been enhanced. So I would disagree with your premise that nothing has been done. Is there more to be done? I'm sure there is, and I would—I'm just being handed a note here, giving me some of the steps that have been taken. Here we go:

We've given investors the right to sue for misleading secondary market disclosure; are adding clearer Secur-

ities Act offences for market manipulation and fraud and misrepresentations; stronger deterrents to wrongdoing through increased maximum court fines and prison terms; new powers for the Ontario Securities Commission to review information public companies provide to investors, impose administrative fines for securities violations and order offenders to give up their ill-gotten gains from these violations.

I'm told that ministry staff are working with the OSC on the commission's recommendation that a reciprocal order mechanism be introduced explicitly in Ontario's security legislation and, again, we continue to support a common securities regulator. Those are just some of the steps we have taken. We continue to work with the Ontario Securities Commission on those things.

**Mr. Michael Prue:** Okay, but at the same time, and I guess it's just more of a comment, the number of complaints and the number of charges continue to go up in spite of that.

**Hon. Dwight Duncan:** They do, and you'll know as well, I had lunch with—this is going back two years ago now—the head of the Windsor and District Labour Council, and one of the comments he made to me was that when he began his career at Chrysler, he never thought he'd see the day where folks on the line would be discussing their stock portfolios in the lunchroom. So there are more and more people who are active participants in the market. But you raise a very valid point, and I don't want to dismiss it, because it is a valid point, and that is consumer protection, the protection of people in the markets.

1740

I think one thing we've learned, particularly on the banking side in the last month or so, is that Canada and Ontario, because we are the lead jurisdictions in securities right now, have a relatively robust regulatory system that is now being regarded around the world as one that's worthy of being emulated. That's not to suggest for a moment that we can't do better, and there's a need to do better, but I would imagine that we will continue to work on these things.

As I say, Mr. Wilson is a very capable guy running the securities commission. I meet with him on a monthly basis, pretty much. I know the Attorney General has an ongoing interest in the enforcement side of what they do and has been working with them as well. So again, I did want to point out the things that have been undertaken and acknowledge the very serious nature of what you're talking about. It's about the integrity of our capital markets and consumer protection, and I think you've raised valid points. We're going to continue to move forward on enforcement initiatives.

**Mr. Michael Prue:** Thank you. That would be the end of my questions.

**The Chair (Mr. Tim Hudak):** Terrific. Thank you, Mr. Prue.

Government members, you have 20 minutes. You have the opportunity to give it to the minister, or you can



let us all leave early and enjoy the PAO reception. The pressure's on.

**Mr. Yasir Naqvi:** Let me ask one question, and I'll ask my colleagues if they have any questions.

The Ideas for the Future Act is something that is being debated in the House right now. Can you share some details about that initiative and how that would work from my perspective? As you know, I represent a riding in Ottawa. There are a lot of high-tech companies there, a lot of positive feedback in terms of what that piece of legislation's trying to accomplish. So I just wanted to give you an opportunity to discuss some details about the act.

**Hon. Dwight Duncan:** Sure. First of all, that's a tax initiative that was introduced in the March budget. This is bringing that to life. It's a 10-year tax exemption for Canadian companies that commercialize Canadian research that's done at a Canadian university, college or research institute. It will provide an exemption from corporate income taxes for 10 years for a new company. My hope is that the Legislature will pass it. It's a unique tax product, if you will, designed to encourage the commercialization. One thing I know all members on all sides of the House have heard from the high-tech sector, from professors and inventors and other people who innovate, is that we're very good at the research part of research and innovation but we're not good at commercializing it. We've taken a number of steps—this is one of those steps—to help improve the opportunities for the commercialization of research here in Ontario. What that means is, how do you take a product from the idea stage, to design, development and then actually commercialize it, make money on it, and then, if they start making money, reinvest that money to create jobs and new investment, still more investment?

So I'm very excited about it, looking forward. We had a lot of support for it. It will hopefully create new companies in Ontario. Dr. Paul Genest, the CEO of the Council of Ontario Universities, said, "Ontario is the fourth largest biomedical research centre in North Amer-

ica, a global leader in digital media and information and communications technologies.... This enlightened new tax measure will help to create a greener, healthier and economically stronger province."

Linda Franklin, president and CEO of Colleges Ontario: "Ontario's colleges have a successful track record of working together with business and industry and we support this measure to promote applied research and innovation."

**Mr. Yasir Naqvi:** Great. Thank you, Minister.

**The Chair (Mr. Tim Hudak):** Are we concluded, government members? Don't erupt with enthusiasm.

**Hon. Dwight Duncan:** They want to keep grilling me.

**The Chair (Mr. Tim Hudak):** That will conclude the government members' time.

We will now proceed with the formal votes for the estimates of the Ministry of Finance. I'll now put the question.

Shall vote 1201 carry? Carried.

Shall vote 1202 carry? Carried.

Shall vote 1203 carry? Carried.

Shall vote 1204 carry? Carried.

Shall vote 1208 carry? Carried.

Shall the 2008-09 estimates of the Ministry of Finance carry? Carried.

Shall I report the 2008-09 estimates of the Ministry of Finance to the House? Yes or no?

**Interjection:** Yes.

**The Chair (Mr. Tim Hudak):** I will do so, then. Terrific, folks. Thanks very much.

Minister, deputy minister and all the support staff from the Ministry of Finance, thank you very much for your 10 hours at the estimates committee. Minister, thank you for your responses to members' questions, and your endeavours to do follow-up are much appreciated.

Members of the committee, I'll just say we're back tomorrow for the Ministry of Training, Colleges and Universities beginning at 4 p.m. Until then, folks, we are adjourned. Have a good evening.

*The committee adjourned at 1746.*







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## Legislative Assembly of Ontario

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# Official Report of Debates (Hansard)

Wednesday 19 November 2008

# Journal des débats (Hansard)

Mercredi 19 novembre 2008

## Standing Committee on Estimates

Ministry of Training,  
Colleges and Universities

## Comité permanent des budgets des dépenses

Ministère de la Formation et des  
Collèges et Universités

Chair: Tim Hudak  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 19 November 2008

Mercredi 19 novembre 2008

*The committee met at 1603 in committee room 1.*MINISTRY OF TRAINING,  
COLLEGES AND UNIVERSITIES

**The Chair (Mr. Tim Hudak):** Good afternoon, members of the committee, Minister and Deputy Minister. Welcome to the Standing Committee on Estimates. Today we are beginning the consideration of the estimates of the Ministry of Training, Colleges and Universities for a total of five hours.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to respond to at a later time. Deputy, hopefully you've had a chance to identify someone within the staff who can liaise with Mr. Johnston here if there are questions that will need a follow-up. You can always work together after the meetings to ensure that we've recorded those questions accurately. Are there any questions before we start the proceedings?

Seeing none, I will now call vote 3001. As folks know, that means we'll start with a statement by the Minister of Training, Colleges and Universities for up to 30 minutes to discuss his ministry. That will be followed by 30 minutes to the official opposition and then 30 minutes to the third party. We then go back to the minister for an up to 30-minute reply to the issues that the critics have raised. After that, the committee will then hit 20-minute rotations, beginning with the official opposition. Is that all clear? Mr. Marchese, you are a rookie at this—is that right?

**Mr. Rosario Marchese:** We're good.

**Mr. Tim Hudak:** Minister, the floor is yours, sir. You have 30 minutes for opening comments.

**Hon. John Milloy:** It's a pleasure to be here. Some of you may know I'm an alumnus of the estimates committee, having sat on the committee for two years. I have to confess there was the odd time, especially in the summer, when we used to sit for eight hours in a row, I wondered what it would be like to actually be a witness. So, I'm going to find that out today.

I'm very pleased to be here today to talk about our 2008-09 estimates, Ontario's economy and the role the Ministry of Training, Colleges and Universities plays in it. First, I'd like to make mention of some senior ministry officials who are here today who may be called on from time to time to provide some technical background infor-

mation. Beside me is the acting Deputy Minister of Training, Colleges and Universities, Marie-Lison Fougère. We also have Kevin French, the assistant deputy minister of the employment and training division; David McIntosh, senior manager, corporate resource planning and analysis; Barry McCartan, director, post-secondary finance and information management branch; and Richard Jackson, director of the student support branch and the superintendent of private career colleges. I want to begin by acknowledging the hard work, leadership and commitment to education and training this team and all our ministry staff demonstrate every day.

I think you'd agree that if Ontario is to succeed in today's increasingly challenging and competitive global economy, we need every Ontarian to be at their best. That's why our government is so committed to investing in the skills and knowledge of our people.

These are not times to be complacent. Our government has stepped forward with a five-point plan for Ontario's economy. We are reducing the cost of doing business by cutting taxes and keeping Ontario among the most competitive tax jurisdictions in North America. We're making a \$60-billion commitment over 10 years to infrastructure, including our colleges and universities that are experiencing unprecedented growth. We're partnering with businesses in key sectors to help keep them competitive and growing into the future. This includes partnering with the vital auto sector, the cornerstone of our manufacturing sector, to build the new Automotive Centre of Excellence in Oshawa and a new Centre for Engineering Innovation in Windsor, helping to ensure new investments come to Ontario. We're focusing on innovation, recognizing that it's the ingenuity of our people that will ensure our future success. We know that if we can provide the innovative goods and services the world needs, then the world will beat a path to our door. Fifth, and finally, we're investing in our people. This is what I'm here as the Minister of Training, Colleges and Universities to focus on today.

We live in a time of economic change, and Ontario's one competitive advantage is having a highly skilled, highly trained workforce that can compete for the best jobs in the world. On the one hand, we have an economy that's shedding jobs. On the other hand, we have many jobs that go wanting every year for a lack of skilled workers. More than at any time before, Ontario needs to address training and education at every level, from making sure new Canadians have access to literacy and

basic skills, to supporting college training and increasing apprenticeships, to supporting PhD work at the university level. The McGuinty government has a vision and a plan to ensure that every Ontarian is able to get the training and education they need to fully participate in our economy and so Ontario can continue to attract the jobs and investments that will keep our province and our people moving forward.

By supporting our colleges and universities and our skilled trades sector through a range of Employment Ontario programs, the Ministry of Training, Colleges and Universities is taking a very strategic approach to education and training. I'll share with you some details on our various programs and initiatives.

First, training: The skilled trades sector is a critical part of Ontario's economic well-being, especially in these trying times. The entire province relies on a strong skilled trades sector, from the individual consumer to industry and government. This government, for example, has announced its intention to commit some \$60 billion to infrastructure projects over the next number of years. That's on top of the \$30-billion ReNew Ontario program that's just wrapping up. We need skilled workers to realize those projects. Our government has been working hard to enhance Ontario's apprenticeship system. We have increased new annual apprenticeship registration by 52% since 2003 and we're on track to increase that by another 25% this term, to 32,500 by 2011-12. In fact, just over the summer, the Ministry of Training, Colleges and Universities announced it will fund the creation of 4,484 new apprenticeship and skills training spaces per year, along with about 8,700 new full-time student spaces, with a \$190-million investment in college capital projects.

Despite our successes, we know we need to do a better job to make sure Ontario has enough skilled workers to support our economy going forward.

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Entry-level requirements for careers continue to rise, calling for higher levels of training and education. Seventy per cent of all new jobs demand some form of post-secondary education or training, yet only about half of registered apprentices are completing their training. We need to understand the challenges related to completion rates and fix them. We also need to do a better job of attracting aboriginal people, women and people with disabilities to the trades. We need to have a strong, modern skilled-trades system in place to help attract more people. We're working to accomplish all those things by investing in Employment Ontario, expanding apprenticeship programs and creating a new college of trades.

In terms of Employment Ontario, our government invests over a billion dollars annually in this program. It offers labour market and training information and referral services in person, online and by phone in 25 languages. It serves more than 900,000 clients each year in communities across the province. Whether you need to find a job or you want to hire someone, Employment Ontario can help.

Employment Ontario responds quickly to the needs of local communities and delivers services to Ontarians when, where and how they need them. A good example is when a large layoff occurs. Within an hour of learning of a large layoff, my ministry's rapid re-employment and training service team is working to connect local workers with Employment Ontario services.

We also set up action centres that can offer counselling, job search and training help, as well as assistance for those who want to go back to school. We've helped more than 50,000 people at more than 80 action centres across Ontario.

The ministry is working to integrate federal programs and services following the 2007 labour market development agreement. The LMDA transferred a number of federal programs to the province and was the catalyst for transforming Employment Ontario into a more integrated, client-focused organization. We are enhancing Employment Ontario to be more responsive to the needs of individuals and more flexible in meeting local community needs.

The changes we are implementing focus on three goals for our clients: achieving one-stop access for workers and employers, delivering services in the community where and when they are needed, and ensuring service excellence and customer satisfaction. These changes will ensure that Ontarians receive relevant skills training and employment/career planning services in as seamless a manner as possible. Ontario will continue to integrate provincial and federal services, set clear performance measures and add new features, such as local labour market planning.

For Employment Ontario to move towards achieving its service promises, we intend to introduce a new employment service model in April 2009. This new model comprises a variety of services that target the specific stages of career planning, job search and job retention. We will continue to communicate with our service partners to obtain their feedback and advice as we transform employment services to better serve Ontarians.

Job Connect is another part of Employment Ontario. It links Ontarians, including internationally trained newcomers, to employment and training opportunities. Job Connect is delivered through colleges and non-profit agencies at 132 locations in more than 80 communities across the province. Ontarians can use Job Connect to find information on careers, occupations and the local labour market. They can also get help with their job searches, career planning and on-the-job training.

Our government has helped Job Connect to grow. The expansion includes three new sites focused on helping newcomers in the greater Toronto area, as well as additional services and resources for Ontarians across the province.

In the most recent budget, we introduced Ontario's skills to jobs action plan, which relates to the work we're doing on the training side. This plan includes a new \$1.5-billion, three-year investment which, combined with the campus renewal capital investment included in last fall's



economic outlook and fiscal review, means the government is investing \$2 billion in the skills to jobs action plan. This plan will help our economy address the need for skilled workers and will help Ontarians train for new, well-paying career opportunities.

Among the aspects of the skills to jobs action plan was \$560 million over three years for skills training. This included \$355 million for a new, unique program called Second Career.

Second Career provides up to \$28,000 per person to help people who have lost their job go back to college and train for a new career in a growing sector in their community. Since Second Career was launched in June, about 1,500 people have come forward to participate. This month, the eligibility guidelines for Second Career were expanded so we could help even more people. The program is now open to workers who were laid off as far back as January 1, 2005. Laid-off workers who have taken an interim job to make ends meet can now apply, as well. Second Career also now offers short-term training of less than six months for laid-off workers who are not eligible for employment insurance, and we're prepared to consider additional financial assistance on an individual basis to cover such expenses as academic upgrading, living away from home while taking training, and dependant care. A cornerstone of the skills to jobs action plan, Second Career will continue to help address the retraining needs of workers affected by the downturn in the economy.

I'd now like to move to the area of apprenticeships.

Ontario's apprenticeship system is the largest in Canada. There are over 150 trades in this province, covering the construction, industrial manufacturing, motive power, and service sectors. Apprenticeship programs provide a vital way of training workers on the job. Last year, 26,000 Ontarians registered as apprentices. That's a 52% increase compared to six years ago, when just over 17,000 Ontarians registered. We're committed to increasing that number to 32,500 by 2012.

Today, about 110,000 apprentices are learning a trade, nearly 50,000 more than six years ago, and more than 34,000 employers are involved in training those apprentices. Each year, more than 10,000 apprentices receive their certificates of qualification and qualify as journeypersons.

The McGuinty government has taken several steps to increase access to skilled trades and address looming skills shortages through apprenticeship training. We are investing \$75 million over three years to expand the apprenticeship system and increase registration and completion rates. We are expanding the co-op diploma apprenticeship program, with an investment of \$13 million this year. We are supporting pre-apprenticeship programs with the approval of new proposals this month. We are increasing the Ontario youth apprenticeship program participation, with an additional \$2 million being provided to school boards. We are enhancing the apprenticeship per diem with a 2% increase, effective April 1, 2008. We are increasing support for apprentices with

disabilities, providing up to \$1.8 million to colleges to accommodate apprentices with disabilities.

Through our Ontario skills training enhancement program, or OSTEP, and the apprenticeship enhancement fund, we are providing \$55 million over three years to colleges and training centres for infrastructure, equipment modernization, and facilities updating, to create greater training and skills upgrading capacity in Ontario.

Under the apprenticeship enhancement fund, we are investing \$40 million over three years for state-of-the-art equipment for colleges to train apprentices: \$10 million this year, and \$15 million in each of years two and three.

For the Ontario skills training enhancement program, we are investing \$15 million over three years to help training centres modernize equipment, build and update facilities, and train more workers. The new Ontario skills training enhancement program will modernize equipment and expand training centres so our people can train for tomorrow's high-value jobs. Our government is allocating \$15 million over three years for this new cost-sharing program, with training centres investing up to 50% of the related expense.

Our government has made additional investments in the apprenticeship system.

We've created the apprenticeship training tax credit to encourage employers to hire apprentices and extended it to January 1, 2012. First introduced in the 2004 Ontario budget, this tax credit offers employers up to \$5,000 per year, per apprentice, over a three-year apprenticeship program. This has been extended to eligible apprenticeships that begin before January 1, 2012.

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We are supporting out-of-school youth by expanding academic upgrading options and introducing an apprenticeship scholarship and an employer signing bonus. The 2008 budget announced the three-year, \$970-million building places to learn program. As part of that initiative, we are expanding training centres and training capacity. One of our key target groups is young people still in high school, and our government has put a number of initiatives in place to keep young people in school and promote the skilled trades as a career path.

We also have programs that target people who didn't finish high school and we've expanded the range of academic upgrading options available to them through initiatives like the Ontario youth apprenticeship program, or OYAP. This school-to-work transition program encourages high school students to stay in school while learning a skilled trade. It allows full-time students in grades 11 and 12 to earn co-operative education credits through work placements in skilled trades. In 2008-09, we are investing \$10.25 million in OYAP, funding that will give more than 25,000 young people the opportunity to apprentice in a skilled trade.

We also offer the pre-apprenticeship training program, which helps potential entrants to the apprenticeship system develop their job skills and trade readiness so that they will be prepared to find work as apprentices. We set up this program to provide support to youth, aboriginal

peoples, women and other under-represented groups, offering them the opportunity to upgrade trade-related skills so they can be eligible for an apprenticeship.

Those who left high school before graduating can also take part in the apprenticeship scholarship and employer signing bonus program. This offers participants \$1,000 to return, complete upgrading courses and register as apprentices. It also provides a \$2,000 signing bonus to employers who hire and train these people.

Quickly growing in popularity is the co-op diploma apprenticeship program, which offers young people the opportunity to complete a college diploma and, at the same time, register as an apprentice and work toward the provincial certificate of qualification. The program also includes business and entrepreneurship courses to help participants prepare to start their own businesses. When the co-op diploma program launched in 2004, six colleges delivered five programs to 200 participants. New programs and participant spaces have been added each year. For the current fiscal year, \$10 million was approved for 25 projects representing approximately 770 new student spaces. We expanded the number of programs as well through an additional \$3-million investment that means 210 new participants will be able to work toward a college diploma and a trades certificate at the same time. This program has been such a success that it is expanding every year. Next year, the government will increase its annual investment to more than \$16 million, which will add almost 1,250 new spaces for students.

One of our government's newest initiatives to support and grow the skilled trades is the creation of a new governance body for the sector, the Ontario College of Trades. We intend to introduce legislation in the spring which, if passed, will establish the College of Trades. The college was a key recommendation to arise from the compulsory certification review initiated a year ago in May. Tim Armstrong, a noted labour expert, was appointed to take a look at some of the issues we understood were holding back the skilled trades sector. Kevin Whitaker, chair of the Ontario Labour Relations Board, is talking to the sector right now and helping us to determine how the college should be structured, how it should be governed and what its various roles might be. One of the important responsibilities we would like to see the college take on is promoting the trades and helping to make sure Ontario has an adequate supply of skilled workers going forward.

Training Ontarians for the future is a critical aspect for our plans for Ontario's economic future. Our training and apprenticeship plans that I have discussed are what our government believes will help to make the difference for our province responding to the current global economic challenges, but also to prepare Ontario for the future global economy once this current crisis passes. One of the best ways we can do that is by preparing our students for the knowledge-based economy of the future. If Ontario is to succeed in this new global economy, we must ensure our students can succeed. Today, we are not

just competing with our immediate neighbours but with new competitors in India, China, Europe, South America and indeed everywhere on the planet.

We are helping to ensure our students' success through significant investments in our colleges and universities. Our \$6.2-billion Reaching Higher plan, the largest government investment in post-secondary education in more than 40 years, helped lay the foundation for an overall renewal of these vital institutions. Under Reaching Higher, we invested in capital projects, we increased operating funding and we provided significant increases in financial support for students.

As of 2008-09, operating grants to colleges and universities have increased by \$1.5 billion, or by 57%, since 2002, providing more help to our post-secondary institutions so they can provide the quality education experience our students need and expect.

Sometimes investing in students means investing in bricks and mortar. Through our skills to jobs action plan, the McGuinty government is providing an additional \$970 million to build places where students learn. This includes a \$289.35-million investment in 22 new capital projects at universities across Ontario, including \$25 million for a new School of International Studies at the University of Toronto. These investments will help Ontario's universities meet growing enrolment and improve the learning environment on their campuses to ensure students get the best education experience possible.

To ensure colleges can keep pace with the growing demand and need for training and apprenticeship programs, we have invested \$190 million for skills training to expand and build new facilities at 12 Ontario colleges. We've also provided our colleges with \$60 million over three years, through the college equipment renewal fund, to purchase new equipment for students to train on, so that when they enter the workforce they will be fully trained on the modern equipment used in workplaces across Ontario rather than outdated equipment no longer used in the real world.

Two hundred million dollars has been invested through a new campus renewal program for all our colleges and universities to undertake energy efficiency projects and campus safety and security initiatives, as well as to renew existing infrastructure on their campuses. An additional \$200 million has been invested in all Ontario universities for maintenance and renewal of university campus facilities.

These initiatives build on other recent investments to maintain and improve facilities or build new colleges. We've provided Ontario's colleges with \$105 million, through the college facilities investment program announced in the 2007 budget, to help maintain and improve their facilities.

We are providing a \$40-million annual investment through the facilities renewal program to upgrade college and university academic buildings. We provided a one-time \$30-million investment in 2006-07 through the economic stimulus package to support construction of new facilities that support enrolment growth and improve energy efficiency at colleges.



We are also investing \$17 million over four years to create at least 1,750 internship opportunities through a partnership with the Mathematics of Information Technology and Complex Systems organization, or as it's known, MITACS—a national non-profit organization that connects students to research internship opportunities. MITACS connects students, universities and private sector businesses, promoting research partnerships and helping to grow a culture of research into Ontario business.

In the past four years, we have also funded 160 new first-year medical spaces, including 56 at the Northern Ontario School of Medicine. That's a 23% increase in first-year undergraduate and medical enrolment.

One of our government's priorities to date has been to ensure that our students have the support systems they need to help them succeed.

**The Chair (Mr. Tim Hudak):** Minister, sorry; you have about four and a half minutes left to speak.

**Hon. John Milloy:** Okay.

Our government is committed to helping students reach their full potential so they can get that great job of their dreams and so that we can strengthen Ontario's economy.

Over the past four years, we've introduced a broad range of financial assistance measures and we've also introduced a student access guarantee that promises that no student will be denied a post-secondary education because of a lack of funds.

Today, students in Ontario colleges and universities receive the highest amount of needs-based institutional aid in Canada.

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Here are some of the facts on student assistance: Through Reaching Higher, our government is doubling our student aid investment with \$358 million in new investment by 2010, and today, one in four Ontario students is eligible to receive a grant. Our government has doubled its investment in student assistance since 2003 and tripled the number of grants available. We're providing financial assistance to roughly 150,000 students every year. OSAP default rates are at the lowest levels since measurements started. We've capped student debt at \$7,000 per year, and we've capped tuition fees at an average of 5% annually under a framework we worked out with our colleges, our universities and our students.

Our government has introduced some other important financial supports, as well. We've introduced a new textbook and technology grant to help full-time students pay for textbooks and computers. Right now, the ministry is mailing out \$150 grant cheques to full-time college and university students across Ontario. More than half a million students are eligible to receive the grant.

We're also reaching out to help first-generation students or students who are the first in their family to go to college or university. This includes new supports for crown wards. For the first time, under our Reaching Higher plan, crown wards are receiving special support through tuition grants and application fee reinvestments.

Mr. Chair, I ask how much time I have, because—

**The Chair (Mr. Tim Hudak):** Two and a half.

**Hon. John Milloy:** Two and a half.

In addition, we've invested almost \$500,000 in four crown ward education championship teams that build local, community-based partnerships that provide improved support to crown wards.

Moving ahead—and I'll just summarize briefly because I'm running out of time—we've also focused on other groups of students not always well represented in our post-secondary institutions. Over three years, we're investing \$30 million in various initiatives aimed at helping first-generation students, including bursaries for students in need, as well as support for services such as mentoring and tutoring in colleges and universities. We're helping aboriginal students pursue and succeed in post-secondary education. We're supporting French-language education by increasing funding to French-language support programs by 53%. We've also made headway on private career colleges that I'd be happy to speak about during the question and answer sessions.

Finally, I'll end, perhaps, with our literacy strategy. Strong literacy and numeracy skills help workers to perform at a higher level, thereby strengthening our workforce and our economy. Our government is improving literacy and basic skills through an investment of nearly \$75 million in 2008-09. Currently, our literacy and numeracy programs result in about seven out of 10 learners going on to further education and employment. This investment includes significant support to academic upgrading, a total of \$15 million. Academic upgrading provides an alternate route to post-secondary education and training for people who have left the school system. It helps them develop their learning skills and ultimately find better jobs.

In conclusion, post-secondary education and training must remain key aspects of our government's economic plans. This is true while addressing the immediate economic challenges facing Ontario and the world. Our skills to jobs action plan is a multifaceted, ambitious plan designed to address the needs of workers displaced by economic issues beyond their control. It is also true in planning for the emerging new global economy where having skilled, highly educated workers is key to success.

When we help our people achieve their goals, Ontario will be able to meet the challenges of a rapidly evolving world and attract the investments and the jobs to our province that will keep Ontario ahead of the game. That's why our government takes post-secondary education and training so seriously, that is why we have invested so much in the institutions that educate and train Ontarians, and that is why Ontario will be able to weather the economic challenges ahead and prosper in the new global economy.

That concludes most of my written text, which I think has been circulated. I'd be happy to answer questions about, as I say, the section I didn't get to.

**The Chair (Mr. Tim Hudak):** Fantastic. You will have 30 minutes, after the official opposition and third

party, to respond to additional issues that are brought up during the discussion.

Minister, the official opposition has 30 minutes. Ms. Scott.

**Ms. Laurie Scott:** Thank you, Minister. I'm happy that you are here before committee today. I know that yesterday, you announced in the Legislature that your fundraiser in Oakville at the Sheet Metal Workers Training Centre had to be delayed because of your appearance here today at estimates committee. It's always good to have you here and I hope the Minister of Labour didn't have to adjust his schedule too much either because he wanted to join you there.

I do have, thanks to the good people at GO Transit, a schedule. It says that if you actually left on the 6:03 and got the train for the Lakeshore West, you'd be in Oakville in 40 minutes, which is plenty of time to be able to join the folks at the steelworkers' hall.

**The Chair (Mr. Tim Hudak):** I do want to remind members that we are here to discuss the estimates of the Ministry of Training, Colleges and Universities.

**Ms. Laurie Scott:** I will hand this over to my colleague, Mr. Hillier, to ask the questions.

**Mr. Randy Hillier:** I have a few questions. I was looking through the briefing notes. You have, on page 18, essentially four broad categories for expenditures for the ministry: administration, post-secondary education, Employment Ontario and strategic policy and programs.

On page 14, you identify seven agencies, boards or commissions that report to the MTCU, and I'm wondering if you could answer under which of those four categories are the agencies, boards and commissions paid for?

**Hon. John Milloy:** I'm sorry. Page 14 of the—

**Mr. Randy Hillier:** Of the results-based plan briefing book that we were given for this committee.

**Hon. John Milloy:** I don't know if I'm looking at the wrong—I'm looking at page 14 and I see Operating and Capital Allocation. Sorry, there's page 12, Agencies, Boards and Commissions.

I'm sorry, Mr. Hillier. You're saying that on page 12 of the—

**Mr. Randy Hillier:** We have four broad categories. Which category are the agencies, boards and commissions paid out of?

**Hon. John Milloy:** Okay. If I can refer that to my deputy.

**Ms. Marie-Lison Fougère:** We will refer to Noah Morris, who's the director of operations and finance.

**Mr. Noah Morris:** I'm Noah Morris, the director of finance for training, colleges and universities. The college compensation—

**The Chair (Mr. Tim Hudak):** I'm sorry, we didn't catch the name.

**Mr. Noah Morris:** Noah Morris. I'm the director of finance for training, colleges and universities.

**The Chair (Mr. Tim Hudak):** Perfect. Thank you.

**Mr. Noah Morris:** The college compensation and appointments council is in the post-secondary division.

The Higher Education Quality Council of Ontario, which we call HEQCO, is under the strategic policy and planning division. The Ontario Student Assistance Appeal Board is under the Ontario student assistance plan.

**Mr. Randy Hillier:** So it comes out of different categories. They're not all out of any one category?

**Mr. Noah Morris:** They're all different categories. Would you like me to go through the list?

**Mr. Randy Hillier:** No, that's fine. That's enough. I didn't know if they fell under the strategic policy, all of them, or if there was a—

**Mr. Noah Morris:** The only one that's under the strategic policy is HEQCO.

**Mr. Randy Hillier:** Okay. Thank you very much.

I also wanted to ask this, Minister. I see, going through the public accounts and whatnot, that you've signed cheques worth over \$25 million, or about \$25 million, to 18 different building trades unions, and these building trades unions, of course, are members of the Working Families Coalition. What column does that come under? Does that come under post-secondary education, or Employment Ontario, or does it come out of a mixed bag of categories as well?

**Hon. John Milloy:** If I could correct what you said, I have not signed any cheques. I believe you're making reference to STIP, and I'll ask an official to answer the technical side of your question, but that program was delegated to the deputy minister. There was a transparent program that came forward and the final decision was made by the deputy minister, so in fact, technically, it was my predecessor who would have signed that over to the deputy minister. There were no decisions made by either myself or the minister on that, but in terms of your question, would it be Noah who could answer where to find it?

**Ms. Marie-Lison Fougère:** Kevin.

**Hon. John Milloy:** Kevin—sorry.

**Mr. Kevin French:** Thanks for the question. Assistant Deputy Minister, Kevin French, from the employment and training division.

There are two means by which, within our approved estimates, a union training centre would receive funding.

As—

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**Mr. Randy Hillier:** I was just wondering if it came out of the post-secondary or under the—there's a whole host of payments out to unions. Is this under the post-secondary or is it under Employment Ontario?

**Mr. Kevin French:** It would come under Employment Ontario, and it would come out of two particular areas. The minister mentions the Ontario skills training investment program, which was administered last year, or it could be as a union training centre through the Employment Ontario program itself.

**Mr. Randy Hillier:** Okay. So it's either under STIP or under some other training program?

**Mr. Kevin French:** That's correct.

**Mr. Randy Hillier:** All right. Would you, Minister, have a complete list or the aggregate total of payments by the MTCU to the building trades unions?



**Hon. John Milloy:** Why?

**Mr. Randy Hillier:** For all programs.

**Hon. John Milloy:** I don't really understand your question in terms of building trades unions. We could certainly provide you with information on support to union training centres, union employer training centres and training centres, but we don't have a program for—the way you phrased the question, I don't think we really keep records that way, but we could certainly provide you with a list of the various programs and the funding received, and then you could make whatever analysis you wanted as to—

**Mr. Randy Hillier:** That have been distributed to the building trades unions. Okay? So we'll get a list of those—

**Hon. John Milloy:** As I said, we'll get a list of programs under which a building trades union might have received it, and you can do the analysis, as I say, of union training centres and employer-union training centres. Yes, we can certainly provide that.

**Mr. Randy Hillier:** Thank you. As a past member of an electrical union and who has taken training through the unions and also as a previous teacher in post-secondary for building trades, can you tell me, out of these training programs that you fund for the unions, which ones offer diplomas or certificates of qualification or any other accreditation that is recognized province-wide by employers other than themselves? Are there any training programs that the unions do that are recognized province-wide outside of their own union?

**Hon. John Milloy:** I'm not sure if I follow the question. Again, Kevin, I don't know if—sorry.

**Mr. Randy Hillier:** Surely there are training programs. When somebody has finished their training program, there is a certificate or a diploma or something. Are those certificates or diplomas recognized by any other employers other than just the unions?

**Mr. Kevin French:** If I understand the question correctly, union training centres deliver apprenticeship programs on behalf of the province through what we call a training delivery agent process. Those are recognized by other unions. The largest part of the apprenticeship system, as you're probably aware, is delivered through the public college system. So it is an accredited process by which a union would deliver apprenticeship training.

**Mr. Randy Hillier:** Surely a number of these unions that have received training don't offer the apprenticeship programs. That's done through the community colleges. Like the electricians' union, for example, if you're an apprentice, you go through a community college for your schooling. However, the IBEW still receives significant money from MTCU for training. I'm wondering what programs they're doing that you're paying for, that the public is paying for, and if those programs are recognized by other employers?

**Mr. Kevin French:** I can certainly clarify for the committee, but my understanding is that the ministry's relationship is through the apprenticeship system, and that's the funding that has been provided by the government to union training centres.

**Mr. Randy Hillier:** So there's no funding to unions other than for recognized apprenticeship—

**Mr. Kevin French:** As I said, I'd like to clarify for the committee. That's my understanding. As Minister Milloy mentioned, the other initiative that was undertaken last year was a capital initiative.

**Mr. Randy Hillier:** What about the payments to the Labourers' International Union? Of course, there is no apprenticeship for the Labourers' International Union, but they do receive training funding from the MTCU. I would like to have that clarified. It seems that there are a few things that are amiss there or at odds with MTCU.

**Hon. John Milloy:** We'll provide you with clarification. I defer to the assistant deputy minister, but my understanding is the same as his: that our relationship is on apprenticeships. You've asked about Labourers' International, and we'll get you that information.

**Mr. Randy Hillier:** The question I'll ask that I'd like to have reported back to this committee is, what programs are being funded by the MTCU with taxpayers' money that are not recognized provincially?

**Hon. John Milloy:** We'll certainly get you a clarification of our funding of various training centres and what that funding specifically is for. You've mentioned one particular case, LIUNA, and we'll get you clarification on that.

**Mr. Randy Hillier:** A number of these building trades unions that are receiving funding from the MTCU are also staunch supporters of apprenticeship ratios. These unions wish to restrict the labour pool and drive up labour rates. In your earlier discussions, you were talking about increasing apprenticeships, but here it is, a public ministry financing and funding unions whose goal is to restrict apprenticeships through ratios. How do you reconcile it, Minister, when you're funding, on one hand, groups that restrict apprenticeships, but then also saying that you want to advance more apprenticeships?

**Hon. John Milloy:** First of all, I differ with your characterization of "funding unions." I think we should be a little more precise. I think someone listening—

**Mr. Randy Hillier:** Funding union training programs.

**Hon. John Milloy:** We're actually funding apprentices who are seeking their training through a union, as they might through a community college. I just want to clarify for the record and for anyone who cares to follow up. People might think that somehow your question—and I realize you're not intending to do this. We don't fund unions, in the sense of core operating funding. Unions are involved in training activities, as are community colleges, as are employers. We work with various training delivery agencies to supply training opportunities for apprentices. You raise—

**Mr. Randy Hillier:** Excuse me for a minute. We've already established that we're not quite sure what we're training with the funding provided by MTCU, and you're going to provide some clarification to that after.

**Hon. John Milloy:** What we have said is that our relationship with union training centres, since you're zeroing in on them, is to provide apprenticeship funding.

You have asked us to follow up to ensure that there are no other opportunities where training dollars have gone which are outside of apprenticeship, and we're going to get that 100% clarification for you. I think we should move on, then, to the issue of ratios. I just wanted to give a little context for your question.

Ratios, as I think members of the committee understand, go back, from what I understand from experts in the field, to the Middle Ages, where it talks about how many apprentices, in the old guild system, a particular journeyman can have. That, of course, has evolved over the years. Here in Ontario, the apprenticeship system as we know it has moved forward. When you look at ratios, ratios govern a number of things. They govern the fact that we're talking about a teacher-student relationship and that we want to ensure that there's proper supervision, that there's proper—

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**Mr. Randy Hillier:** I think we've gone off the question, Minister. These unions that are staunch supporters of rigid apprenticeship ratios, which restrict the labour pool—you are financing some elements of their training or other programs. You spoke earlier of wanting to advance and increase the number of apprentice positions in this province, but at the same time you're funding organizations whose expectations and whose goal is to restrict the labour pool. Those don't reconcile with one another. They're a contradiction to one another. I'm wondering how you can explain that instead of funding public facilities like community colleges that are open to all residents of the province and whose certificates of qualifications and whose diplomas are recognized province-wide, you are taking money out of the public system and putting it toward organizations that wish to restrict the labour pool and whose training is not open to other individuals of this province?

**Mr. Bob Delaney:** On a point of order, Chair: While respecting Mr. Hillier's freedom to ask a question pertaining to the estimates of the Ministry of Training, Colleges and Universities, he is suggesting a motive or something that is unavowed against a body that he hasn't named which would be pursuant to an objective of an entity that is not the subject of these estimates. The ministry can fund whichever body it so chooses, but Mr. Hillier is asking a generic question about the objectives of a body that he won't name that may be funded by the ministry. I think he's a little over the line on this. He's welcome to ask a question of the ministry, but not necessarily of the objectives and mission of the entities that it funds.

**The Chair (Mr. Tim Hudak):** I've chaired this committee now for a number of years, and I think folks know that I do allow, as is the tradition of estimates, for a broad range of questioning that pertains to the estimates before us. I've been listening closely to Mr. Hillier's questions. I do believe the questions he is asking are within the rules.

Secondly, I think folks know that in the initial 30-minute segment, generally the approach has been to give a broad range for discussion on policy items, as well. Thereafter, the rules are a bit more strict.

So, I appreciate the point of order—I'll make sure Mr. Hillier does get his full time—but I do believe his questions are within the rules of the estimates.

**Mr. Randy Hillier:** Thank you.

**Hon. John Milloy:** I think it was my turn to answer.

**Mr. Randy Hillier:** It's your turn.

**Hon. John Milloy:** Mr. Hillier, the problem is that I reject the premise of your question.

First of all, we do fund community colleges. As I mentioned in my remarks, \$190 million in expansion for apprenticeship-related infrastructure was made this summer, and we worked very closely with them.

I, as a minister, have had an opportunity to meet with numerous stakeholders involved in the apprenticeship trade, including those who are members of the building trades unions, and I have yet to meet a single one who wants to limit the number of apprentices. They want to make sure that we have an apprenticeship system which properly trains apprentices and sees them through to completion.

On the issue of ratios, there are different views. Even those individuals who are calling for looser ratios, if I can use that term—

**Mr. Randy Hillier:** I think we're going off topic again, Minister.

**Hon. John Milloy:** I'm trying to answer your questions.

**Mr. Randy Hillier:** Yes, I know, but the training for these union training funds is not open or accessible to other individuals within the province. They're only there for union members. They're not open to the general public. So we're funding unions at a significant rate for training, but we're denying residents of Ontario access to that training, instead of putting that money into community colleges where the training would be accessible to all individuals—union, non-union, employers, whoever. That was the last question—

**Hon. John Milloy:** May I respond?

**Mr. Randy Hillier:** Yes.

**Hon. John Milloy:** We fund apprentices, Mr. Hillier. Individuals come forward; they have a relationship with an employer. There's an in-class opportunity. They may seek that at a community college; they may seek that at a union training centre or an employer-union training centre. People are not being denied access to apprenticeship opportunities. We are, in fact, creating those apprenticeship opportunities. As I say, when a young person comes forward and wants to seek that, they may seek it through a number of delivery agents.

Again, I'm always conscious that I have experts here in the room, and I'm certainly happy to call Mr. French forward to have him explain, in some detail, the apprenticeship opportunities and finding them. But, again, I think you're mischaracterizing it to say that somehow we go and say that these are restricted opportunities, and that a young person who wants to be an apprentice can't find that in-class opportunity.

**Mr. Randy Hillier:** Well, again, I'm speaking from my experience being involved in unions and being in-



volved in community colleges. For example, here, the International Brotherhood of Electrical Workers have received, in 2007-08, \$1.5 million for training. The IBEW has all their in-class training for apprentices done at community colleges. That's where the apprenticeship education is done. So what is that \$1.5 million for? It's not for apprenticeship. Those apprentices are being trained in community colleges, so what is \$1.5 million going to the IBEW for? It's not going to the general public, and it's being used strictly for their workers, as compared to putting that money into the public system where all people can get that training. That's how it works.

**Hon. John Milloy:** Well, can I ask the document that you're referring to with the \$1.5 million? I will get you—

**Mr. Randy Hillier:** Well, that was a spreadsheet that I did up of all the payments that I've seen under the STIP program from the MTCU to the building trades unions that are also members of the Working Families Coalition. So here we have the ironworkers, the operating engineers, the UA locals, IBEW locals and elevator constructors etc.

There's one example. The IBEW does not train apprentices academically. They get their work experience with union contractors. They get their schooling at community colleges. Why are they getting another \$1.5 million?

**Hon. John Milloy:** Again, I think, first of all, there's a little bit of mixing of apples and oranges here. We were talking about apprenticeship funding they've received; we're now talking about the STIP program, which was going out to union training and union-employer training centres where they were receiving capital for the training that takes place. I could get you the details on the various IBEWs and what they've received.

They've received that funding for training that goes on. I've had a chance to visit a number of those centres. There's training that goes on for journeypersons in terms of safety, apprenticeships in terms of safety, in terms of upgrading, in terms of—

**Mr. Randy Hillier:** That goes back to my earlier question, Minister. What training is being provided and paid for by MTCU other than the apprenticeship, and is that training recognized by other employers, recognized and accredited across the province, that it's transportable, that it's portable—that training—or is it only recognized by those union employers?

**Hon. John Milloy:** Well, again, I think there's a mixing of apples and oranges here. There are apprenticeship programs which are offered by various training centres outside of community colleges, and they may reach agreements with the Ministry of Training, Colleges and Universities. An apprentice may come forward and choose to do it there.

At the same time, there was a program, STIP, which was brought forward. As they say, it was an application-driven program to provide equipment to various training centres, some of which provided training strictly to apprentices while others provided a range of training. I'd

be happy to get you lists of what the equipment was. As I say, having visited them, they're involved in safety training; they're involved in a variety of upgrades for individuals that are associated with the centre as well as apprentices.

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**Mr. Randy Hillier:** Well, that's good to hear. You mentioned that these unions make applications for STIP and whatever, and obviously there are rigorous criteria involved with that. Do you or your officials today have a copy of that application so we can see just what the criteria are for these building trades unions to receive funding?

**Hon. John Milloy:** Certainly I can get that for you.

**Mr. Randy Hillier:** You can get that for me? It would be much appreciated, the application and if there are any criteria that are established.

Unfortunately, I have a train to catch, so I'm going to end off. Again, speaking in the broader concept of improving access to apprenticeship, improving the number of apprenticeship roles, the skilled trades are fairly unique in this province. For most professions, whether it be architects, engineers or lawyers, we allow the free market to determine how many lawyers there ought to be or engineers or architects, and there doesn't seem to be any shortage of lawyers, architects or engineers at the moment. But we have this ratio for skilled trades, and we have a shortage in skilled tradesmen. Minister, do you not recognize that things are being done wrong and that both the funding and the policy is leading to this problem? Instead of interfering with the marketplace, as we do with the building trades, should we not be like other professions and let the market determine supply and demand of labour and need?

**Hon. John Milloy:** Well, Mr. Hillier, I'll go back and complete the answer I gave to an earlier question where you said I had gotten off topic. The issue of ratios, as I said, I think you can trace back to the Middle Ages. It's a very unique situation of a teacher and student, where that student is also an employee. The principle of a ratio, the number of apprentices per journeypersons, is based on a number of factors. There's the whole issue of health and safety. There's the issue of—

**Mr. Randy Hillier:** But only for building trades, not for any other profession in this province. We don't have a ratio for historians or librarians or even for doctors or nurses. The building trades are the only ones where the government interferes with the supply and demand, the interest and opportunities for our young people. Anyway, thank you. I'm going to pass it over to Laurie Scott, because I have to leave.

**Ms. Laurie Scott:** How many minutes do I have?

**The Chair (Mr. Tim Hudak):** You have two minutes.

**Ms. Laurie Scott:** I've got two minutes. It will be a quick question. A recent economic update from your government says there's going to be a \$500-million deficit. We've got Ontario being a have-not province, receiving bailout money from Newfoundland and Labra-

dor. Can you guarantee that all the programs in your ministry, including the much-talked-about apprenticeship and skilled trades program that we've been discussing this afternoon, all those programs that have been promised in your ministry, are going to be implemented?

**Hon. John Milloy:** Well, the scope of today's discussion is obviously the 2008-09 fiscal year. We have programs in place and spending plans moving forward, and that's our intention: to move forward. I guess the Minister of Finance has been here the last few days. He's ultimately in charge of each budget update, which in some cases sets a new course and in other cases changes the direction slightly, but we'd have to wait for next year's estimates, I guess. As I said, I've outlined where we are now and how we're moving forward.

**Ms. Laurie Scott:** So you don't anticipate that you're going to have to cut any of your programs, as we speak now. You don't anticipate you're going to have to cut any of your programs.

**Hon. John Milloy:** As I say, we're talking about this fiscal year, and I've outlined obviously through the briefing book in front of you, and in the overview I gave of our plans moving forward. I think the question you're asking is about the upcoming budget, which is the purview of the Minister of Finance, who I guess was here for the last number of days.

**The Chair (Mr. Tim Hudak):** Thank you, Ms. Scott. We now turn to the third party. Mr. Marchese, you have 30 minutes.

**Mr. Rosario Marchese:** Welcome to this committee, as the minister. Normally, I would have a lot to say by way of statements, but I'm going to just forgo that and just get right into the questions.

As I remember it, the Reaching Higher plan was supposed to, as part of a promise, bring us to the middle of the pack when you compare it to all the other provinces. Is that true, a fair statement to make?

**Hon. John Milloy:** I think the Reaching Higher plan was a recognition of the importance of post-secondary education and, quite frankly, a recognition that it was an area that was needing resources very badly.

**Mr. Rosario Marchese:** I understand, but my question was, if I recall—and I was trying to find it the other day and I just couldn't. I think the promise said that with the Reaching Higher dollars we would get to the middle of the pack. Did your government ever say that?

**Hon. John Milloy:** I was not minister, as you know, at that time. You've just admitted you couldn't find it, so I have no recollection of that, but it may be true. I was not the minister.

**Mr. Rosario Marchese:** Okay. That's fine. Would Madam Fougère know that, by any chance? It's not a political statement. It's a question.

**Ms. Marie-Lison Fougère:** I'm not aware of a statement specifically stating "middle of the pack."

**Mr. Rosario Marchese:** Okay. Can you confirm, Minister, whether we are number 10 in per capita funding?

**Hon. John Milloy:** No, I cannot confirm that. I hear—and I say this with respect, and you know I do; I'm not saying this sarcastically—sometimes you throw that around. I'd ask you for your source of that.

**Mr. Rosario Marchese:** Okay, that's interesting. Madame Fougère, would you know, as a civil servant, whether we are number 10 in per capita funding, or would you track it yourself? Would you have a way of knowing that, or who would know?

**Hon. John Milloy:** Well, can I—

**Mr. Rosario Marchese:** Madame Fougère?

**Hon. John Milloy:** How does this work, Mr. Chair?

**The Chair (Mr. Tim Hudak):** Well, Minister, you have staff here. If you want to answer the questions, go ahead. If you feel you've already answered the question, then the deputy doesn't have to answer it.

**Hon. John Milloy:** No, but I just meant, can I answer? Mr. Marchese is directing the question directly to the deputy. I just wondered if I have the opportunity to jump in.

**The Chair (Mr. Tim Hudak):** Absolutely.

**Hon. John Milloy:** Mr. Marchese, I'm aware that there are different comparisons that are thrown around. Every one that I have seen has figures that go back several years in terms of the comparison. I have not seen a study that's up to date. I'm not trying to muzzle my deputy.

**Mr. Rosario Marchese:** Okay, that's fine.

**Hon. John Milloy:** I'm just saying there are different groups that come forward and, God bless them, they say—

**Mr. Rosario Marchese:** I understand. So, you yourself have no sense of where you are in terms of per capita funding in Canada vis-à-vis the other provinces? You have no comment or knowledge of where you might be, as a province?

**Hon. John Milloy:** Simply because the studies that have been done are out of date and the comparisons get I think the deputy is here for that.

**Ms. Marie-Lison Fougère:** Yes, because the studies that are available to date all go back to the pre-Reaching Higher period, so they actually do not reflect all of the investments made since the initiation and the implementation of Reaching Higher.

**Mr. Rosario Marchese:** I see. So whatever figures we have are prior to 2005?

**Ms. Marie-Lison Fougère:** Up to 2005.

**Mr. Rosario Marchese:** So whatever information we're getting from any source is completely outdated, is what you're saying as well?

**Ms. Marie-Lison Fougère:** The official sources that we are aware of come from Stats Canada and those sources go back to pre-Reaching Higher times.

**Mr. Rosario Marchese:** Okay. So would you have a way of calculating yourself, based on all of the numbers that you have, and be able to tell us where we might be, or Stats Canada, whenever it does its numbers—we will know then? Is that the way it works?



**Ms. Marie-Lison Fougère:** I would, perhaps, like to get Barry to come to the—he knows more about all these calculations and the modelling behind it.

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**Mr. Barry McCartan:** Could you run that by me again? I want to make sure I'm answering the right question.

**Mr. Rosario Marchese:** Sure. The deputy was just saying that sources come from Stats Canada and the last number that she has seen was for 2005. She's arguing—and the minister is arguing differently—there are different ways of calculating it, which suggests that people have different definitions of this. Is it true that there are different ways of comparing this, or is there some standard that you as a civil servant accept, or is it that we just don't know where we're at?

**Mr. Barry McCartan:** No. First of all, in order to do a provincial comparison, we need a whole range of variables which are from a number of dependent sources. StatsCan is the source of the funding piece. Of course, you need to know about enrolments in order to do per capita comparisons in terms of numbers of students served. Population—of course, we know that's more recent data of provinces—and so on. Each of those variables has to come into place, and StatsCan is the only really reliable way to bring all that information together.

**Mr. Rosario Marchese:** And the last time that Stats Canada did this study was in 2005?

**Mr. Barry McCartan:** The last interprovincial comparison that was done was in 2005, and I believe it was for the 2004-05 year. So, yes, that's right.

**Mr. Rosario Marchese:** Based on the way they compare it and based on what you have by way of knowledge, where do you think we are in per capita funding?

**Mr. Barry McCartan:** I wouldn't—

**Mr. Rosario Marchese:** You wouldn't have a clue.

**Hon. John Milloy:** As I think you pointed out—and I'm not being critical of different groups and organizations that come forward; some of them come to Queen's Park—there are different ways to calculate different things. I can—and I'm sure you're heard me provide them to you in the House now and again—give you the statistics of Ontario, where we were and where we've gone, and I think you would agree that that's a very important standard for us to look at.

**Mr. Rosario Marchese:** My point is, you would want to be proud of yourself. You would want to say to the public, "Look, some of these numbers are wrong." But I never hear you saying in public that these numbers are wrong.

There are different comparisons. StatsCan did a study in 2005. Maybe the next one will reveal where we're at. Do you have a sense of when the next one is coming up?

**Mr. Barry McCartan:** Actually, the main problem is that Stats Canada has gone through a massive overhaul of its post-secondary information system, and as a result they've slipped a number of years on a lot of key variables. So I'm afraid I don't.

**Mr. Rosario Marchese:** Okay, let's leave that one.

In terms of ranking on tuition fees, as far as I know we are the second-highest. Can you confirm that?

**Hon. John Milloy:** No. I think we're falling into the same situation—I'll defer to the deputy—that we don't have the—

**Ms. Marie-Lison Fougère:** That presumed second ranking, again, is based on data that do not take into account the investments, at least from the StatsCan perspective, that were provided through Reaching Higher. The release of research on this is actually behind schedule at Stats Canada.

**Mr. Rosario Marchese:** Where do you think we are?

**Hon. John Milloy:** I can reference one study that I'd be very happy to provide to you, which shows that Ontario has the highest needs-based assistance of any province in Canada.

**Mr. Rosario Marchese:** That's not the question I was asking, though.

**Hon. John Milloy:** I'm just saying that is a study that has come out.

**Mr. Rosario Marchese:** Okay, but that's not what I'm asking.

Anyway, we keep saying that we are the second-highest, and I guess you'll defend yourself the best way you can, that the numbers vary and so on. By the way, Nova Scotia is the first, in terms of tuition fees, and next year, as I understand it, they're going to be lower and we're going to be proudly number one. I guess you'll be able to comment on that as the year comes forward.

We've had some difficult economic times in the last little while, and you've known for some time that the economy was going to slow down. Were there any measures that were taken by this ministry to prepare for such bad economic circumstances?

**Hon. John Milloy:** I don't mean to be thick, but I'm having trouble following your question.

**Mr. Rosario Marchese:** Okay. I'm not going to waste any time if you find it difficult to understand. I'll move on to other questions. But it's a very obvious question.

**Hon. John Milloy:** Well, I could say that the whole ministry is about preparing the Ontario economy for bad times ahead, in the sense, I think—the fact that we came forward on post-secondary education in 2005. And I think, Mr. Marchese, you would agree that post-secondary education is not the so-called doorstep issue that you hear about in campaigns. We made significant investments, and we're seeing the fruits of those, in terms of the participation rate and the graduation rate.

**Mr. Rosario Marchese:** I understand. That's not my question, but that's fine. Which projects or initiatives, if any, are on hold from the ministry right now, due to difficult economic circumstances?

**Hon. John Milloy:** As I said to Ms. Scott, the 2008-09 year that we're discussing is—you're talking about reaching ahead to a budget situation. As in all ministries, we're in discussion with finance as to what our priorities are.

**Mr. Rosario Marchese:** But are there any projects or initiatives that are on hold right now, due to economic circumstances? It's a yes-or-no kind of answer. If

everything is proceeding as it should, then your answer would be no, there are none on hold.

**Hon. John Milloy:** Well, again, we are, like all ministries, in discussion with finance as to what our priorities are. We're rolling out 2008-09 as best we can.

**Mr. Rosario Marchese:** That's why these committees are so complicated, in terms of questions and answers. That's why, as you get older and as you are here longer, you just wonder about this business.

**Hon. John Milloy:** Right now we are proceeding as planned, Mr. Marchese.

**Mr. Rosario Marchese:** That's fine. The downturn in the US market has hit Ontario universities very hard. As you know, university endowment funds are getting hit badly. Institutions like the University of Ottawa have already warned that scholarships and student aid are going to be significantly reduced if this trend continues.

My question to you is, is it a good idea for post-secondary institutions to be so reliant on ups and downs of the market to provide scholarships and student aid?

**Hon. John Milloy:** I think that universities and colleges are dependent on various sources for their operations, in terms of the government, in terms of endowment, in terms of—I mean you're talking about ancillary services such as residences and athletic complexes and things like that. There are fees or rents that are charged, so I think that—

**Mr. Rosario Marchese:** Okay. It was a very specific question. Do you think it's a good idea for post-secondary institutions to be so reliant on the ups and downs of the market? Because with the markets being the way they are, and universities investing in markets where they're now being hit, the University of Ottawa has warned that scholarships and student aid are going to be significantly reduced.

**Hon. John Milloy:** I guess my comment is twofold. One, you're seeing some pretty extraordinary financial situations everywhere. Two, of course, we would like institutions to have as broad a financing source as possible, which is why you've seen significant increases in terms of operating funding from the province.

**Mr. Rosario Marchese:** Federal transfer payments: What increases in revenues have come to the ministry as a result of increases to the federal transfer payment?

**Hon. John Milloy:** The Reaching Higher framework contains significant increases every year, as I think you're aware. The federal transfer payments are received, I guess, in a sense, by the Ministry of Finance, and we've seen significant increases in our budget through Reaching Higher.

**Mr. Rosario Marchese:** What are they? That's my question. What increases in revenues have come to the ministry as a result of that transfer payment? What's the number?

**Hon. John Milloy:** The transfer: I assume you're referring to—well, I'll ask you. Which transfer payment? The CST is received by the Ministry of Finance. At the same time, if you want to look at our budget year over year, you'll see significant increases in terms of the amount of funding we've received for our budget.

**Mr. Rosario Marchese:** But that's why I'm asking. I don't get it. Do you know or don't you know? Do you have a number, yes or no? Just tell me.

**Hon. John Milloy:** I can get you the increase in terms of our budget.

**Mr. Rosario Marchese:** Does the deputy know?

**Hon. John Milloy:** Our budget, the budget this year?

**Mr. Rosario Marchese:** Yes.

**Hon. John Milloy:** I believe it's in the results-based plan.

**Ms. Marie-Lison Fougère:** Yes, and as the minister has pointed out, basically the province has been investing a lot of money in Reaching Higher.

**Mr. Rosario Marchese:** What's the money number? What is the number?

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**Hon. John Milloy:** We can ask someone to come forward with the increase in our budget this year.

**The Chair (Mr. Tim Hudak):** That's the nature of the question, Mr. Marchese, the MTCU budget for 2008-09?

**Mr. Rosario Marchese:** I'm asking, what increases in revenues have come to the ministry as a result of increases to the federal transfer payments that are specific to universities? It can't be that complicated.

**Hon. John Milloy:** What I'm suggesting, Mr. Marchese, is that if you're referring to the Canada social transfer, that is received by the Ministry of Finance, by the government in general for use—

**Mr. Rosario Marchese:** Right. That is specific for universities. There's got to be a number; you've got to know.

**Hon. John Milloy:** As I say, there's the Canada social transfer, so that is received.

I understand the Minister of Finance was here for a number of days, and I'm sure he could have talked to you about the funding relationship with the federal government and money that has come forward, that we've received. As I say, we can go through it, how much our budget has been increased. Did you want—

**Mr. Rosario Marchese:** Are you planning to offset any expenditure reductions in the post-secondary sector with the increased funding from the Canadian social transfer?

**Hon. John Milloy:** As I say, the Canadian social transfer is received by the Ministry of Finance as part of a series of transfers that go forward. They obviously use that funding to increase in a variety of areas including post-secondary education—

**Mr. Rosario Marchese:** I see. It's not helpful.

**Hon. John Milloy:** —and I'd be happy to—

**Mr. Rosario Marchese:** Yes, thank you. I'm just going to ask it, and we'll get whatever we get.

How much money has the provincial government put into post-secondary education in the last fiscal year from the increased federal Canadian social transfer?

**Hon. John Milloy:** As I say, Mr. Marchese, I'm happy to call the officials forward to talk about the increases that have taken place to our ministry.

**Mr. Rosario Marchese:** Okay.



**Mr. Barry McCartan:** Barry McCartan, from the Ministry of Training, Colleges and Universities. Again, I apologize: if I can ask you to just state the question one more time?

**Hon. John Milloy:** He was looking for the increase in post-secondary education training.

**Mr. Rosario Marchese:** How much money has the provincial government put into post-secondary education in the last fiscal year from the increased federal Canadian social transfer?

**Mr. Barry McCartan:** That was the question—

**Hon. John Milloy:** I mean—

**Mr. Rosario Marchese:** If you don't have a number now, you'll send it to us later. Is that okay?

**Hon. John Milloy:** We can tell you what the increase is in terms of post-secondary education funding to our ministry from the Ministry of Finance, which, as I said, in turn receives the CST funding from the federal government.

**Mr. Rosario Marchese:** Through you, Mr. Chair: I've asked this question, and could I just get an answer at another time, the next meeting that we come to?

**The Chair (Mr. Tim Hudak):** Sure. I believe the minister is answering that that money goes to the Ministry of Finance, right?

**Mr. Rosario Marchese:** Yes.

**The Chair (Mr. Tim Hudak):** For a large bundle of products. This ministry doesn't know exactly how much the ministry is going to receive.

**Mr. Rosario Marchese:** It must know, and that's my question. It goes to the Ministry of Finance, and they have a sense, or they know how much money is in that pot for them. The minister says, "Here's the money." They've got to know, and so if they don't have it now, I want to ask it as a question so they come back at the next meeting with a number.

**Hon. John Milloy:** We will provide Mr. Marchese with a response.

**Mr. Rosario Marchese:** Thank you. How much money is the provincial government putting into post-secondary education this fiscal year from the increased federal Canadian social transfer? That question was for last year; this question is for this year.

**Hon. John Milloy:** All right, we will provide an answer.

**Mr. Rosario Marchese:** This will be on Hansard. You don't have to write this down; you can get it at the end of the day or tomorrow, I'm assuming. Right?

The other question is, where is it going? Operating? Capital? It would be good to know the distribution of those dollars.

**Hon. John Milloy:** We will get you a response.

**Mr. Rosario Marchese:** Very good. A further question is, what are the continuing plans for the use of this federal funding? Is it directed in the same place all the time? Does it go in different places? What are the plans for the following year, for 2009-10?

**Hon. John Milloy:** Again, Mr. Marchese, I'm very happy to provide you with an answer to your question, but at the same time, the management responsibility of

the CST, the Canada social transfer, I think would be—I look to the Chair for this—the Minister of Finance, who I understand was here for several days. I think he might be in a better position to give all the details of how the government manages federal transfers. I will provide you, Mr. Marchese, with—

**Mr. Rosario Marchese:** I don't need the Chair to give me an answer, because he can't give me that answer.

**Hon. John Milloy:** No, all I'm doing is I'm giving a caveat that we will provide an answer, but it may not be as fulsome as one that might be provided by the Minister of Finance, whom, as I said, I believe you had an opportunity to question.

**Mr. Rosario Marchese:** All I know is that money now comes bundled up. It used to be separated by categories. I don't know whether the federal government says, "This is the specific number" or "This is the bundle of numbers." I want to know what comes to you from him.

**The Chair (Mr. Tim Hudak):** I think the minister has indicated that he will give the best possible answer.

**Hon. John Milloy:** With the caveat that part of that may lie with my colleague the Minister of Finance.

**Mr. Rosario Marchese:** Of course, because you're going to get that information from him.

By the way, the Stats Canada figure that we're aware of was, as far as I know, released last month on this very issue. So we're going to check it and verify and give you the number the next time we meet. I'd be interested to know whether your civil servants will be able to find that information, as well.

You announced an increase in spending through the Reaching Higher plan in 2005. Then, in 2007, the federal government increased funding for post-secondary education. Will we see a compound increase in your post-secondary education allocation as a result of the new federal funds, or did you take that money and announce it as yours as part of your Reaching Higher plan?

**Hon. John Milloy:** Again, I think this goes back to the line of questioning that we discussed: CSTs and increases in training, colleges and universities. We're here to discuss this year's estimates for 2008-09. Obviously, you can check the briefing book in terms of increases that have taken place in colleges and universities as part of Reaching Higher and in some cases beyond Reaching Higher.

**Mr. Rosario Marchese:** I really hope that when they come back, I'll have some written answers on some of these questions I'm asking. When I ask you what your contribution to the post-secondary education system is versus the federal government's contribution, I want to know those numbers.

**The Chair (Mr. Tim Hudak):** I think the minister has indicated that he will get back the best possible answer from the ministry.

**Mr. Rosario Marchese:** Right. And I don't want any caveat to fuzz the numbers that I'm looking at.

**Hon. John Milloy:** In fairness, we're talking about a CST from one government to another. So, it doesn't become federal money; it becomes provincial money

when it's transferred. The relationship between the province and the federal government is, as I say, the purview of the finance minister—who spent several days here and, I'm sure, could have done that.

I'm just saying I can only answer questions to the point of my ministerial responsibility, and I will try.

**Mr. Rosario Marchese:** All I'm saying to you is, as the minister, you have a responsibility to know what comes to you as a result of that fund. If you don't know, I'm a bit surprised. We are not talking about two different things. If they make a contribution to your ministry as a result of that fund, I want to know from you, and you asking the Minister of Finance what they're giving you—

**The Chair (Mr. Tim Hudak):** I'd say we've beat this horse good and dead by now. The minister has given his response. There's a block for the Minister of Finance. He's going to give the best answer he can from his point of view.

**Mr. Rosario Marchese:** What is the student-faculty ratio now, compared to before Reaching Higher was introduced? Do we know?

**Hon. John Milloy:** Again I'll look to my deputy, but I also know that the definition of student-faculty ratio is one—and I have had people from the sector explain this to me. You can come up with many different mathematical formulas, depending on who you're counting, in terms of research fellows, in terms of grad students—

**Mr. Rosario Marchese:** That's good. All I want to know is, what formula do you apply, and based on the formula that you apply as a minister and as a ministry, what are the differences between those ratios before and after the Reaching Higher plan? If you don't have it today, you can give it to me another day.

**Hon. John Milloy:** We'll get you more information.

**Mr. Rosario Marchese:** How many new faculty have been hired in the last year by each institution? If you don't have that information, you can give it to me another day.

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**Hon. John Milloy:** We'll attempt to get that information.

**Mr. Rosario Marchese:** Can the minister provide the number of teaching assistant, grad assistant and contract faculty positions at each college and university, and the total salary being paid to each group in each term for the current year and each of the last five years?

**Hon. John Milloy:** I can answer this one of two ways: I can say we will endeavour to get that or I can get you a list of what's available, but if you want to leave that, we can find out. As you know, there is a certain autonomy and I'm not sure—do we have all those statistics? We will endeavour to get everything that is available through our ministry. As I say, there's a certain autonomy there.

**The Chair (Mr. Tim Hudak):** Rosario, five minutes

**Mr. Rosario Marchese:** Five? I'd be interested to see what you provide. Based on the information that you have, it will tell me whether or not you have it or whether you don't because they're independent, and if they're independent, I would be interested to know that too, and

interested to know whether you are interested in those numbers or not and whether you can get them from them.

**Hon. John Milloy:** I can ask the deputy to comment on what she knows immediately, what sort of detailed ones are available. Or would it be better to ask—

**Ms. Marie-Lison Fougère:** Actually, just to make sure that we cover the whole thing, we can come back with further clarifications, because it's actually—

**Mr. Rosario Marchese:** Very good.

The other question is, how many students are currently participating in the Ontario work-study plan and how many have participated in each of the last five years at each college and university in the province? And can you please provide the total funding that was given to each college and university in the current year and in each of the last five years to provide for the Ontario work-study plan? And can you please provide an itemized salary package, including all compensation paid to the senior administrative staff during their tenure and beyond, meaning payouts, at each college and university in the province in the current year and in each of the last five years? I'm assuming you don't have any of that information today; correct?

**Ms. Marie-Lison Fougère:** No.

**Mr. Rosario Marchese:** OSAP and student support: Specifically, can you please give us a breakdown of what is being spent on OSAP loans, grants and Ontario graduate scholarships?

**Hon. John Milloy:** Do we have that right now? I can ask Mr. Richard Jackson, whom I think you've met before in past estimates, Mr. Marchese.

**Mr. Rosario Marchese:** I've met with a few of them.

**Mr. Richard Jackson:** Hi. My name is Richard Jackson. I'm the director of the student support branch at the Ministry of Training, Colleges and Universities. As I'm looking through my notes here, I believe you're asking about the budget for the Ontario graduate scholarship program?

**Mr. Rosario Marchese:** OSAP loans, grants and Ontario graduate scholarships.

**Mr. Richard Jackson:** The budget that relates to student loans is the interest payment that we pay while those loans are being held when students are in school, and the budget for 2008-09 is \$24,949,409.

**Mr. Rosario Marchese:** Okay.

**Mr. Richard Jackson:** Sorry. You asked for the Ontario graduate scholarship? That's \$23,100,000.

**Mr. Rosario Marchese:** And the grants?

**Mr. Richard Jackson:** Which grants would you like to know?

**Mr. Rosario Marchese:** What breakdown do you have?

**Mr. Richard Jackson:** There are probably, under OSAP, 20-some programs.

**Mr. Rosario Marchese:** Really? It would be helpful to just send a copy of that without your having to read it for the record.

**Mr. Richard Jackson:** I'd be quite happy to read it for the record here.

**Mr. Rosario Marchese:** All right.



**Mr. Richard Jackson:** Provincial funding for the Millennium/Ontario access grants and Ontario access grants is \$57,966,892. The budget for distance grants, a program implemented this year, is \$8.2 million. The budget for the Ontario student opportunity grant is \$293,871,000.

**The Chair (Mr. Tim Hudak):** We're completing Mr. Marchese's time. You had asked for each of those. Did you—

**Mr. Rosario Marchese:** If you don't mind, you could just send it for the next meeting. That would be helpful, without having you read it all. Is that okay?

**Mr. Richard Jackson:** Sure.

**The Chair (Mr. Tim Hudak):** Through the clerk?

**Mr. Rosario Marchese:** Through the clerk, of course.

**The Chair (Mr. Tim Hudak):** And she can distribute it to the members.

**Mr. Richard Jackson:** Won't this be in Hansard tomorrow for you? But I'm quite happy to—

**Mr. Rosario Marchese:** This part, but you said you were going to name 23 or so.

**Mr. Richard Jackson:** The Aird scholarship program, \$5,000; the Sir John A. Macdonald scholarship in Canadian history—

**Mr. Rosario Marchese:** It's just that my time has run out, is what he's saying.

**The Chair (Mr. Tim Hudak):** Mr. Marchese did ask for each of those. If possible, you could give them to the clerk, and she'll distribute to the committee members in time for the next meeting.

**Mr. Richard Jackson:** Sure.

**Mr. Rosario Marchese:** Thank you very much.

**The Chair (Mr. Tim Hudak):** Terrific. Mr. Marchese, thank you very much. That does conclude your 30-minute segment.

Minister, we have 30 minutes left for your wrap-up comments. We do have a vote with a 10-minute bell coming up in the House. What I'm going to suggest is that you take about 20 minutes for your comments. If we get the bell sooner, I'll probably adjourn the committee with about five minutes left in the bell. Then you can take your remaining time, if you so choose, when we meet again on Tuesday morning.

**Hon. John Milloy:** Mr. Chair, at the outset you indicated that this was an opportunity to respond to some of the issues that have been raised, and I look forward to dealing with I think two very distinct issues, one on the apprenticeship front and one on post-secondary education. But do I also have an opportunity to put other things on the record?

**The Chair (Mr. Tim Hudak):** Yes. I do allow for quite a broad range, as long as it pertains to the estimates.

**Hon. John Milloy:** Because I'd like to, if I could, just put on the record some of the work that we've been doing. Then as I say, I'd like to respond to both Mr. Hillier's comments and Mr. Marchese's.

I'd like to put on the record some of the work that we've been doing in terms of private career colleges; I ran out of time there. I think private career colleges are an important issue and part of the TCU family that isn't

always recognized, that we have a role in terms of parts of their oversight.

Our government recognizes that not all Ontario students attend our publicly funded colleges, universities or training programs. Private career colleges have become another option for Ontarians that can offer important programs to help students succeed. We are working to ensure that private career colleges in Ontario maintain the same high standards of excellence and accountability as our publicly funded post-secondary institutions.

In 2006 our government passed new legislation to ensure students at private career colleges get the education and training they're promised. Under the new Private Career Colleges Act academic records are protected: Private career colleges must give students access to their transcripts for 25 years. Students are protected from misleading advertising: Private career colleges must comply with new marketing and advertising rules. Students who have a complaint about a college will have their voices heard. All colleges must have a student complaint procedure in place. If the complaint is not resolved by the college, students can also submit a complaint form to the government. The new act also ensures international students receive better financial protection: Private career colleges can collect no more than 25% of the cost of a program from international students before the program starts.

We're also setting performance standards for career colleges, developing both a career credentials framework and the first set of program standards. Furthermore, we're working to establish a key performance indicator process for these colleges, similar to the one in place for the province's community college system. We're developing a new regulation covering enforcement and compliance measures for private career colleges, and we will soon be publishing compliance and enforcement news on our website so students can easily access this information.

Mr. Chair, I was happy to put that part of the ministry's work on the record and I look forward if over the course of the next number of sessions people want to speak about private career colleges.

I wanted, if I could, Mr. Chair, to pick up on Mr. Hillier's comments about the apprenticeship system. Although, as I think I was indicating at one point, I have not met anyone involved in the apprenticeship system, when it comes to this issue of ratios, which has been the topic of some discussion in question period and certainly today, I've never met anyone who wanted to get rid of ratios. I guess Mr. Hillier has put on the record that he wants to. At the same time, I do want to recognize a certain frustration that he's brought forward in terms of the management of the apprenticeship system and say that I'm perfectly comfortable to acknowledge that there is some frustration with the system that's out there, and there is a need to enhance and modernize it. I'll perhaps share with the committee the story of how we've come to this new initiative, the college of trades, which I mentioned briefly in my opening remarks.

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My predecessor, Minister Bentley, was examining the issue of compulsory certification. Members of the committee may be aware that there is a limited number of trades where, in order to practise that trade, you have to be a qualified journeyman. The one that comes to mind, and actually fits with Mr. Hillier's line of questioning, is the whole field of electricians. You have to be an electrician to practise that particular trade. Ontario, as I said, has a limited number of trades which are compulsory, in a sense—you need that certification. One of the issues that's come forward over the years is that certain trades have come forward and said, "We want to be viewed as compulsory. We believe that if you're going to hire tradesperson X or tradesperson Y, or an individual to perform trade X or Y, they in fact should have gone through the apprenticeship system, have written their licences, etc., and received that certification."

The problem though, quite frankly, is that in the province of Ontario we have had no process to ever look at these applications of compulsory certification. In one sense, I guess the minister has final authority, but some have said to me that there's no real way to even say no to such a request. We haven't had a process in place. So my predecessor, Mr. Bentley, asked a noted labour expert, Tim Armstrong, a former, I believe, deputy minister of the Ministry of Labour and head of the Ontario Labour Relations Board, I believe, for a while, to take a look at compulsory certification. He held hearings across the province which sort of corresponded with my taking on my role as minister.

**The Chair (Mr. Tim Hudak):** Folks, can we keep the noise level down while the minister is giving his reply, please? If you have a conversation, just take it out in the hall.

**Hon. John Milloy:** I had the benefit that Mr. Armstrong had been commissioned to advise the minister. I've been able to sit down with Mr. Armstrong and hear his sense of what's happening within the apprenticeship system. What was interesting was that his report came back and dealt with the issue of compulsory certification, but it took a broader view and it started to place it within a larger context. It looked at issues around compulsory certification and drew relationships to issues of ratios, to enforcement, to—and this actually, I guess, maybe segues a bit into Mr. Marchese talking about data. He was talking about the post-secondary education system. But on the apprenticeship side, the system as a whole doesn't have a great deal of robust data in terms of all the details that we'd like in terms of moving forward with public policy.

We looked at issues around completion. He looked at the system, the way it's governed, and I think members are aware that there's a series of advisory committees that bring forward advice to the minister on various topics, including ratios, and said that we need to modernize the system. I think he certainly recognizes, as ministers from TCU going back have, that we need to look to the experts in the field, which of course is what these

advisory committees do for advice, but that there might be a way to take a step forward to modernize the system and perhaps deal with some of the frustration that's out there. This is not frustration that's limited to one sector; this is across the board, that we need to take a new step in terms of apprenticeships.

The suggestion that Mr. Armstrong brought forward was for a college of trades—not a community college or an academic college, but something along the lines of the College of Physicians and Surgeons or the law society—a chance for all sectors of the economy, everyone who is involved with the trades—which goes beyond the construction sector, but that was what Mr. Hillier was focusing on today—to sit down on a level playing field to come up with processes where there is a chance for all sides to put forward their voice and to start to delve into some of these issues that I've mentioned here today.

I'm very intrigued by Mr. Armstrong's response, as was a great deal of the sector, and I must tell you that we've received very positive feedback from all sorts of different folks who are involved, particularly in the construction sector, and we decided to proceed forward with the next step and actually develop what this college might look like, with the intention of bringing forward legislation.

To do that, we called on Mr. Kevin Whitaker, who's the current chair of the Ontario Labour Relations Board. Mr. Marchese and others will recognize his name, as he was the provincial adviser when it came to Bill 90, which dealt with community college part-time workers. Right now, Mr. Whitaker is out conducting a consultation with various stakeholders and parties to talk about what this college might look like.

Again, just to bring it back to the general tone of Mr. Hilliard today, I think underlying it, although we may disagree on a number of specifics, we can at least find a level of agreement to say, "Hey, the apprenticeship system needs to be modernized a bit; it needs to be reformed." I've got to tell you that the overarching direction that I've given Mr. Whitaker is that at the end of the day this college of trades should always keep its eye on the goal of making sure that we have more young people particularly coming forward to the trades, that they're receiving first-rate training and that they're completing their studies, their apprenticeship work. That always has to be the overarching goal and, as we address a number of these issues, it has to be a way to move forward. Mr. Hilliard is not here. I'm sure he will follow up and perhaps be here at the next session, but again, we're trying to find a way to enhance the apprenticeship system while still relying on the best advice for those moving forward.

To Mr. Marchese, and I know the bell's going to ring in a minute or two: I think that the core of some of the issues you've brought forward today is very much about young people not being prevented from going forward to post-secondary education because of financial difficulties or obstacles. What our government has tried to do is find a balance. On the one hand, when you look at students in general, we want to make sure that post-secondary edu-



cation remains affordable. That's why we froze tuition for two years and we put in a framework based on consultation with student groups, with institutions; a framework which goes around the tuition and limits those increases that can take place.

At the same time, the other side of the balance is focusing a considerable amount of resources on those students who need them the most. We've tried to find that balance. The textbook and technology grant that was announced several months ago, which I mentioned in my remarks, is student-wide. Other ones, however, are focused very much on the basis of needs. I think I mentioned in the question and answer period a recent study that came forward—I'd be pleased to share it with members around the table—which shows that Ontario students currently receive the highest level of non-repayable assistance than ever before, but also that students at Ontario's universities and colleges receive the highest amount of needs-based assistance in Canada; and that was from a report released by the Educational Policy Institute.

I think that again speaks volumes about our approach to find that balance, to recognize that we want to have that limit which is brought in by the framework, but at the same time, with these resources we have for student assistance, we're going to make sure that a lot of it gets targeted at the students themselves who are facing problems of financial need. To support that, as I say, I talk about the Educational Policy Institute.

I also point out that OSAP loan defaults are the lowest they've ever been since measurement began, and at the same time I think the simple fact that we have a hundred thousand more students in the system—I'm in no way saying that those students don't need support; there are always struggles there—demonstrates that students are finding there aren't the barriers that were there. Reaching Higher, I think Mr. Marchese would recognize, has been a success beyond many people's imagination in terms of young people entering the system. Some of the estimates that came out a number of years ago we've far surpassed. At the same time, as we move forward—and certainly there have been articles and such in the media—we're seeing this interest in our colleges and universities moving forward and we've seen more interest with young people coming forward and more people entering them. I think we're going to see that over the coming years, particularly—

**The Chair (Mr. Tim Hudak):** Minister, about four minutes and then I'm going to adjourn the committee.

**Hon. John Milloy:** Okay.

Again, to deal with some of Mr. Marchese's questions in terms of the affordability of education and in terms of where Ontario ranks, we've tried to very much find that balance between limiting tuition increases and increasing operating funding but at the same time focusing on those students who have financial hardship, who come from strained financial circumstances. Along with that, along with the student assistance, I also mentioned briefly in my remarks—and I didn't get into as much detail as I'd like and I'd be happy to in the coming days—the support that we've put forward for groups that are not always as well represented in the post-secondary education system. One can think of students with disabilities; one can think of first-generation students, the first in your family to go forward to a college or university; supports for aboriginal students, both with colleges and universities and also through a number of aboriginal institutions.

Members may recall there was a bit of back and forth in the Legislature in a ministerial statement on some additional support that we put forward to the First Nations Technical Institute, FNTI, in the Belleville area, which had seen its funding, unfortunately, taken away by the federal government, a big chunk of it, about \$1.5 million, and the province was able to, in a sense, keep it open. We are working with it to put it on a better financial footing. But again, there is an opportunity to bring people from groups that are not that well represented in our colleges and universities within the system.

The final group I would mention is francophones, who don't always have that opportunity to study in the French language. We're trying to increase those supports this summer, and then maybe I'll wrap up so members can vote. This summer, I was very pleased to make an announcement in Timmins, Ontario, of a facility where—actually it's very interesting geography—we have a French-language high school, we have Collège Boréal, and Université de Hearst is going to have another presence there. So in a sense, there's almost a continuum where students who want to pursue higher education, who are geographically right there out of a high school setting, can move forward and have access to a level of education in their language that has not always been available.

So that gives, I think, a response to some of the issues raised today, and I look forward to Tuesday morning, when we will meet again.

**The Chair (Mr. Tim Hudak):** Super. You'll get the rest of your time Tuesday morning. Folks, we are meeting again in room 151 on Tuesday, November 25 at 9 a.m. Until then, this committee is adjourned.

*The committee adjourned at 1754.*

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Mr. Noah Morris, director, finance and business management council

Mr. Barry McCartan, director, post-secondary finance and information management branch

Mr. Richard Jackson, director, student support branch

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#### **Also taking part / Autres participants et participantes**

Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)

Ms. Laurie Scott (Haliburton–Kawartha Lakes–Brock PC)

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## Legislative Assembly of Ontario

First Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 25 November 2008

# Journal des débats (Hansard)

Mardi 25 novembre 2008

## Standing Committee on Estimates

Ministry of Training,  
Colleges and Universities

## Comité permanent des budgets des dépenses

Ministère de la Formation et des  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 25 November 2008

Mardi 25 novembre 2008

*The committee met at 0902 in room 151.*MINISTRY OF TRAINING,  
COLLEGES AND UNIVERSITIES

**The Vice-Chair (Mr. Garfield Dunlop):** Good morning, everyone. I call the meeting to order.

Minister Milloy, welcome to the meeting—and all the staff from the Ministry of Training, Colleges and Universities. There's a total of three hours and 10 minutes remaining. When the committee was adjourned, the minister had just under 12 minutes left in the time available for his reply. Once the minister has concluded his reply, we will begin 20-minute rotations beginning with the official opposition, followed by the third party and then the government.

Minister, you have 12 minutes to complete your responses.

**Hon. John Milloy:** Thank you very much. To begin, when last we met, there were a number of questions that were put forward. I sort of look for your advice on this. We've been able to provide written responses to a number of them, not to all of them. I'm not sure: Do I simply table them with the clerk, then?

**The Vice-Chair (Mr. Garfield Dunlop):** I believe, Minister, that that would be the appropriate thing to do at this point.

**Hon. John Milloy:** Okay. So we have, as I say, not all, but we've endeavoured to get as much information as possible.

Mr. Chair, as you noted, I was completing a response when last we met. I just want to put a couple of points on the record as a follow-up to some of the discussion last time and some of the general discussion about my ministry and some of the programs that it's been offering.

One of the ones that I want to do—I just want to put this on the record, because I think sometimes there's a bit of confusion in terms of assistance for laid-off workers in the province. I think all of us are aware that there have been a significant number of layoffs. Over 200,000 is the figure that is cited in the media and reports. At the same time, our government in the March budget brought forward the Second Career strategy, which targeted 20,000. I think sometimes there's a bit of confusion relating the 20,000 to the 200,000, somehow suggesting that that's been the government's sole response. So what I wanted to do this morning is just take a minute or two to clear up

any confusion on that point in terms of the very serious issue of laid-off workers, because I think all members of the Legislature, no matter what side of the House they're on, recognize the seriousness of any layoff.

As of January 1, 2007, I think members are aware, we had the transfer through the labour market development agreement of the federal government training services to the province, which, combined with the provincial services, have come together in a network known as Employment Ontario. At the moment, there are 1,200 Employment Ontario service providers throughout the province. They tend to be represented by community agencies. Every member here would have those in their riding.

Those Employment Ontario offices offer services to about 900,000 people annually, so the starting point for any discussion about laid-off workers is Employment Ontario and the fact that they provide services not only to those workers who have been, unfortunately, involved in a layoff, but to anyone who comes forward who's looking for assistance. That assistance can have a wide range. It can involve everything from resumé writing and advice on job search all the way up to training, and that's the second point I wanted to make.

In terms of training that's available, there are a number of key programs. The major one is actually called the Ontario skills development program. That's a program that's open to individuals who are EI-eligible, who are looking for training to upgrade their skills and find a job. Since September 2007, almost 14,000 people have enrolled in the Ontario skills development program. In the past five months alone, close to 5,500 have enrolled in school through the Ontario skills development program. Since 2006, close to 37,000 people have been assisted through the Ontario skills development program.

As I say, when you start talking about the large number of layoffs and people who have come forward, not everyone is looking for training. Some people are looking for assistance in finding a job, for information about the job market, resumé writing, that sort of thing; some people are interested in training, and a lot of that core training happens through the Ontario skills development program.

That being said, the Ontario skills development program is not without its weaknesses. The primary weakness is the fact that it is limited to individuals pursuing courses which are going to result in them moving into the

labour force as quickly as possible. Mr. Chair, I think you'd agree there's nothing wrong with that, but there are individuals who would like to move on to a different career—a second career, as the saying goes—where they would like to take a longer-term training program, they would like to upgrade their skills and they would like to then move into an area where there is hiring going on.

Out of that came the birth of Second Career, which offers up to two-year training programs for individuals. They might take that through a community college or a private career college, the idea being that that would be offered for those individuals who are wanting to make a pretty major change, a significant change in their lives, which is why the target was set at 20,000: Because we recognize that many people who get laid off just want the initial supports—they may want short-term training—and there's only going to be a percentage who are willing to go back to school for longer-term training that's going to lead them to the job.

Second Career was born in the March budget. We worked on developing the program criteria in June; on June 1, it came into being. At the same time, we made a commitment that we were going to be monitoring it as it happened on an ongoing basis, and if there were obstacles to individuals who wanted to pursue this long-term training or ways that we could improve the program, we were not going to be shy about it. In fact, we weren't. We announced a series of changes a little while ago that came into effect November 10 to remove some of the obstacles and allow more people to come forward from Second Career.

I actually can share with the committee today, because the Second Career targets are a little bit of a moving target because obviously we get the results on an ongoing basis, that we've seen almost 1,800 people come forward to Second Career. About 1,200 are currently enrolled and over 600 more are pending approval, and that number, obviously, grows with each report we get back. So that gives you an overview of Employment Ontario's services. As I say, 900,000 people came forward—a whole variety and menu of services.

0910

I just wanted to correct, for the record, some of the confusion that may exist about Second Career and the relationship between Second Career and the number of laid-off workers in Ontario. So that's the first thing.

Mr. Chair, can I ask you how much time I have?

**The Vice-Chair (Mr. Garfield Dunlop):** You've got about just under five minutes, Minister.

**Hon. John Milloy:** Okay.

The second issue that I wanted to provide a little background on—and I'll give notice that some of the material I'm going to table with the committee today addresses this in some detail and provides some of the criteria—is the skills training infrastructure program, or the STIP program. There were some questions raised in last week's estimates committee regarding funding through STIP to training centres across the province. So I just wanted to provide the committee with some back-

ground. As I say, I'll also be providing some written material.

STIP was established to respond to a growing need for new and upgraded equipment to meet the skills training and apprenticeship needs of the economy. Funding allowed union-employer training centres to replace existing, or purchase additional or new, training equipment to expand skills training capacity. In the construction trades, approximately 20% of training is done at union-employer training centres. Overall, training centres train more than 7.5% of all apprentices and have allowed for greater training capacity in Ontario. I think it's important to recognize the contribution that these centres make in providing the skilled workforce in Ontario.

The STIP investment was available to all union, employer and union-employer training centres through two public and competitive calls for proposals. Contracts were awarded based on both eligibility criteria and weighted evaluation criteria.

Just to go through the process, the first call for proposals was May 4, 2007. The ministry received 58 proposals requesting a total of \$19 million; 53 projects at a value of \$16.9 million were approved. The second call for proposals was August 21, 2007. The ministry received 59 proposals requesting a total of \$18.3 million; 39 projects at a value of \$7.9 million were approved.

Contracts were awarded based on a competitive call for proposals that judged each proposal against both the eligibility criteria and weighted evaluation criteria. The delegation of authority to approve and award transfer payments was given to the deputy minister. All of the STIP contracts were approved by the deputy minister, based on the recommendations developed through the proposal assessment process.

In terms of eligibility requirements, there were three main eligibility requirements for the skills training infrastructure program. The first was the type of training entity. The skills training infrastructure program, as I noted, was available to union-employer training centres and/or mobile training units operated by union-employer training centres in Ontario. By "union-employer," we mean union training centres, employer training centres and partnered union-employer training centres.

There was a cost-sharing requirement. A contribution of 25% towards eligible costs was required by the proponents. In terms of eligible costs, it included the purchase of new or used equipment to update training capacity to industry standards and the associated direct cost with installation and delivery.

The ministry assessed all proposals submitted in both calls for proposals. This assessment was shared by the regional offices in the program development unit. The assessment focused on the viability of the proposal, whether the proposed equipment would increase or maximize training capacity, and whether the proposed equipment was up to industry standards and requirements.

Proposals were assessed against the weighted evaluation criteria, outlined in STIP guidelines and require-



ments. I'll give you the breakdown. The viability of the proposal was 20%. How the proposal would improve current training offerings and/or enable new training offerings was 15% of that; the capacity to support other costs related to the use of this equipment that are not eligible for STIP funding was 5%. The second was how the proposal supports industry requirements and builds capacity, and that was 50% of the evaluation.

**The Vice-Chair (Mr. Garfield Dunlop):** Just a few seconds left.

**Hon. John Milloy:** Okay.

The project costs were 25% and the idea of partnership was 5%.

As I said, Mr. Chair, with your wise advice to hasten it, that gives you a bit of an overview and I'll be sharing with members more details on that. I think with that, I'm probably out of time, am I?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, that's just right on. Perfect; thank you.

We'll now go to the official opposition. Mr. Shurman?

**Mr. Peter Shurman:** Good morning, Minister. I've noticed that in the line pertaining to post-secondary education, the lion's share of your ministry's budget, \$5.2 billion is allocated. I know we can agree that value for money for Ontarians is at the nub of this.

My interest here is York University and the current situation and, flowing from that, other contracts with the same CUPE union that are aligned to expire in 2010 in a number of Ontario universities. I wonder if you can comment on the fact that the union demands amount to approximately 11% of York University's operating budget, and I want to know why you're standing by, in this particular case, being in the fourth week, as CUPE 3903 continues in its efforts to basically bleed this university dry.

**Hon. John Milloy:** I think, Mr. Shurman, you recognize the fact that our university system is made up of a network of autonomous institutions and, although the Ministry of Training, Colleges and Universities provides significant funding to these institutions, how they organize their labour relations issues around contracts, etc., is left entirely to their purview, as they are autonomous. That being said, of course, we're always very concerned when there's a strike at an institution. I continue to call on, as does the Premier and every member of the cabinet, both sides to come to the table and reach an agreement that's in the best interests of the students.

I do not, as minister, have any direct authority over the negotiations or what's happening at York University. That being said, the government, of course, has a responsibility in terms of labour relations—which is my colleague the Minister of Labour. I know that in the House, and to the media, he has spoken about some of the supports that are in place from the province to try to mediate these situations and try to support both sides in coming to the table.

Certainly, I share your concern in the sense that no one wants to see this strike happening and, as I say, we'd like to see it resolved as quickly as possible.

**Mr. Peter Shurman:** We can agree on that. Here's where I'm going with this, Minister, and I'm quite sure that between yourself and the Minister of Labour, you've had conversations about this. Of 18 Ontario universities, nine now have contracts with CUPE at the TA and GA level that will expire in 2010; five, including York, are in negotiation over contracts that are in the process of expiring with a view to aligning them for 2010, which would mean, if CUPE got its way, we would have 14 of 18 Ontario universities with concurrently expiring contracts. I think we can leave to our imaginations what could happen in 2010. Right now—and many of these people live in my riding, so I am acutely aware—50,000 are affected at York, but we could be talking about hundreds of thousands over the course of the next couple of years. Are you aware that that's the situation and are you addressing this on a more global scale?

**Hon. John Milloy:** Again, I think everybody is concerned whenever there is a work disruption of any type, especially one that affects students. As you point out, York University is one of the largest universities in the province, and we are encouraging both sides to come to the table.

At the same time, I know there are ongoing negotiations across the province in terms of discussions; this happens on a regular basis. We have, unfortunately, seen some disruptions at Windsor earlier this year and Wilfrid Laurier University. We try to encourage both sides to come to the table and move forward but, at the same time, I, as minister, have to respect the autonomy of these institutions. That is the way the system has developed. We do not negotiate directly with unions. In a sense, we're not involved in the relationship between the administration and the staff in an instance like this. As I say, we fund them a considerable amount of money and they also have other sources of funding, and, at the end of the day, they're autonomous institutions. So although I appreciate your question, I think that within the parameters of the way the system is set up, our authority as the Ministry of Training, Colleges and Universities is certainly to make sure that there's ongoing funding to our institutions, but at the end, we can encourage them to resolve issues like this, but we have to respect their autonomy.

0920

**Mr. Peter Shurman:** We've got two problems here at York, and I don't think that York is ultimately going to be unique.

One aspect of this is that the university, which is, as you correctly point out, autonomous, has said, "Let's get this settled and do it by arbitration. We're prepared to sit down." The union, at this point, unless something has happened in the last hour or two, is balking at that.

Also, if you go beneath the surface, you discover that the demand of 11% over two years masks the fact that the TAs and GAs in this case, and, I imagine, by connection, in other cases, are looking for free tuition as part of their wage and benefits package. If you take a look at the costs if that were granted, we're talking about 112% over two

years. Your ministry can't afford that; the people of Ontario can't afford that; and certainly if students are ultimately asked to bear the burden, they can't afford that.

So I'm having a hard time understanding why we continue to hear that this is an autonomous situation, when I think, obviously, the university is reaching out and saying, "Help."

**Hon. John Milloy:** I think you would respect the fact that in any labour negotiation, the role of the Minister of Training, Colleges and Universities is to respect the autonomy of this situation and to encourage both sides to come to the table and have an agreement. But I think for me to comment, as I think you're asking me to, as to what's on the table and what one side should do or another side should do would be highly inappropriate.

The main spokesperson for the government in terms of a labour situation where there is a dispute or a strike is the Minister of Labour. I'm not trying to dismiss your concerns in any way, but I think you'll appreciate that I'm limited in any comment that I could make on the specifics. When it comes to the actual strike and moving forward, it would be more appropriate for me to defer to my colleague the Minister of Labour.

**Mr. Peter Shurman:** But why aren't you talking to the Minister of Labour? How many more days are we going to go before we wind up with a jeopardy situation for 50,000 students? From my riding of Thornhill you can basically throw stones into York University, so we've got thousands of staff and students in my riding who are really pummeling me on this particular issue. It's why I came to the estimates committee. And I'm concerned for the future with regard to what's going to happen in other institutions.

While I look at something that you just said a moment ago, I also look at a quote of yours on November 7, when you said, "I respect the autonomy of the institutions when it comes to our universities." I wonder how you feel you're respecting the autonomy of the institutions if you don't step in to prevent a coalition that's going to hold us all hostage in 2010?

**Hon. John Milloy:** I appreciate the concerns you have, I appreciate the concerns of your constituents, I appreciate the concerns of the students. Again, we encourage and I encourage, as minister, and the government encourages both sides to come forward and reach a settlement as quickly as possible.

Beyond that, as I say, you're moving into territory which is held by my colleague the Minister of Labour. He could talk about the government supports that are in place to help in any dispute situation.

**Mr. Peter Shurman:** Minister, you sit at the same cabinet table as the Minister of Labour. Have you not had any conversations about this? This is a serious situation at York, and threatening to be a hugely serious situation in the province.

**Hon. John Milloy:** At the same time, I think you have to respect my position that to comment publicly on—you outlined some of the reports of what's being negotiated,

what's on the table, what one side is saying about the other side. I think you would recognize that it would be inappropriate for me, as Minister of Training, Colleges and Universities, to be commenting publicly on that. The spokesperson for the government in terms of labour disputes and strikes is the Minister of Labour, so I'm going to defer to him insofar as the comments that I've made this morning.

**Mr. Peter Shurman:** I'll close with this comment, Minister: What I think is most inappropriate, with all due respect, is that we have 50,000 young people worrying about what's going to happen to their year.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Hudak, you have 10 minutes left.

**Mr. Tim Hudak:** Terrific. Thank you very much, Minister and Deputy. Might I ask, Minister, if you have somebody here who has oversight to the Postsecondary Education Quality Assessment Board, and if they could maybe come up to the front. It's just that I have a couple of detailed questions that probably would be best responded to by one of the civil servants.

**Ms. Patti Redmond:** My name is Patti Redmond. I'm the acting assistant deputy minister of the strategic policy and programs division.

**Mr. Tim Hudak:** ADM Redmond, if I could, PEQAB was created in?

**Ms. Patti Redmond:** I believe it was created in 2001.

**Mr. Tim Hudak:** Basically, PEQAB will review private degree-granting institutions, out-of-province institutions and such, and make recommendations or decisions on whether they could qualify to grant degrees in Ontario?

**Ms. Patti Redmond:** They would make recommendations.

**Mr. Tim Hudak:** How many have been granted that authority since it was created in 2001 or so?

**Ms. Patti Redmond:** I'm sorry, I don't have that information here, but I would be happy to provide that.

**Mr. Tim Hudak:** No problem. I'd appreciate that, because such a thing may not be readily at hand.

But, Chair, if I could ask, through you, for a list of the schools that have been granted that authority since 2001.

The minister has an ability to veto the decisions of PEQAB?

**Hon. John Milloy:** I would characterize it differently. The PEQAB makes recommendations to the minister.

**Mr. Tim Hudak:** Okay.

**Hon. John Milloy:** So it's not a veto in the sense of what PEQAB says stands unless the minister does otherwise. PEQAB sends recommendations to the minister, and the minister makes considerations.

**Mr. Tim Hudak:** So does the minister typically, then, accept the recommendations of PEQAB?

**Hon. John Milloy:** It would depend.

**Mr. Tim Hudak:** Okay. So we have some highly qualified individuals who are paid—the total cost for PEQAB is almost \$700,000 per year. They make recommendations.



If I could also just—to ADM Redmond—have a list of the individuals who have been denied, who have been recommended by PEQAB, and then maybe you could divide up in terms of those who had been then granted the degree-granting authority and those who had been denied such.

Minister, have you faced this?

And thank you.

**Ms. Patti Redmond:** Okay.

**Mr. Tim Hudak:** You said “acting,” but I’m confident it’s just a matter of time.

**Hon. John Milloy:** You’re a charmer, Mr. Hudak.

**Mr. Tim Hudak:** Minister, have you had a chance to make decisions on PEQAB’s recommendations in your time as minister?

**Hon. John Milloy:** Yes, I have.

**Mr. Tim Hudak:** And have you accepted PEQAB’s recommendations?

**Hon. John Milloy:** Yes. I should note that as well as private institutions there are also applied degrees that come forward from community colleges.

**Mr. Tim Hudak:** Can you give me some examples of private institutions that have degree-granting ability in the province that are not publicly assisted?

**Hon. John Milloy:** Can I call on—

**The Vice-Chair (Mr. Garfield Dunlop):** If you can just give us your name, please.

**Ms. Shamira Madhany:** My name is Shamira Madhany and I am the director of the post-secondary accountability branch.

**Mr. Tim Hudak:** Terrific.

**Ms. Shamira Madhany:** Examples of some institutions that have received approval for private degree-granting in Ontario: Charles Sturt University in Australia—

**Mr. Tim Hudak:** I’m sorry; I missed the first one.

**Ms. Shamira Madhany:** Charles Sturt—Niagara College and Redeemer college. Those are the three that come to mind immediately.

**Mr. Tim Hudak:** Is there an education program from Niagara University?

**Ms. Shamira Madhany:** Yes, it’s a teacher education program.

**Mr. Tim Hudak:** At Niagara University from Lewiston, New York, I think?

**Ms. Shamira Madhany:** Yes.

**Mr. Tim Hudak:** Help me understand something too. Let me go back to the PEQAB for a second. Under what grounds, Minister, would the minister not take the advice of PEQAB and, in fact, overrule them?

**Hon. John Milloy:** Those grounds would be public policy grounds. Anticipating, perhaps, where some of your questioning is going, there was a review by my predecessor to perhaps find a little bit more definition for the PEQAB process. Certainly, we’re taking a look at it because I think—as I say, perhaps anticipating some of your comments, there is no firm criteria that would go out, but they would be public policy grounds.

0930

**Mr. Tim Hudak:** Wasn’t Minister Bentley the first minister to actually veto recommendations by PEQAB?

**Hon. John Milloy:** I don’t have that information.

**Mr. Tim Hudak:** But you’ve accepted all of their recommendations to date.

**Hon. John Milloy:** Yes. I’ve received several from community colleges that have been approved. I have not vetoed any. I apologize, Mr. Chair: I’m using the term—I should have said that I have not rejected any.

**Mr. Tim Hudak:** I think it’s appropriate.

Do you have confidence in the individuals who staff and are appointed to PEQAB?

**Hon. John Milloy:** I have confidence that the individuals at PEQAB do one aspect of a technical assessment. They’re not asked to look at broader criteria. For example, if an institution came forward and wanted to offer a program that was offered widely throughout the province and there were available spaces everywhere, for example, and at the same time it was in a profession or an area where there was an oversupply, PEQAB doesn’t make any judgment on that. It’s done on a technical basis.

**Mr. Tim Hudak:** Maybe I could add, Chair, to my request about any that have been recommended by PEQAB but vetoed by the minister of the day, the grounds for the exercise of that veto.

Minister, as you’d said in your comments, you’re bringing in a new textbook and technology grant. If I have a student in my riding who goes to Brock University for her education degree, she would be eligible for the textbook and technology grant, just by way of example. But if she chose to go to Niagara University’s new program in the Hamilton or Burlington area, I believe, or Redeemer college’s education program, she would not be eligible. Why are you making that decision?

**Hon. John Milloy:** As I think you appreciate, every program has parameters around it. We made a decision for public colleges and universities. That was the limitation on the program.

**Mr. Tim Hudak:** Let me understand: If she graduates from Redeemer’s program or Niagara University’s program, she could teach at a local Catholic or public high school. They’re fully qualified. She could also receive OSAP grants to go to those schools. If she’s eligible for OSAP, why can’t she get the textbook grant?

**Hon. John Milloy:** As I said, Mr. Hudak, there had to be parameters around it. It was decided that the program was best suited to go to the system of public universities and colleges. There are at the same time private career colleges you could also raise, where people could study. I mean, there were parameters set out.

**Mr. Tim Hudak:** I don’t understand the parameters. Let’s give an example: A single mother in my riding who wants to work her way back into the workforce, wants to be a teacher and help out other kids, makes a choice to go to Niagara University’s program or Redeemer’s program. She goes to apply for the textbook grant and can’t receive

it. Under what grounds do you make the decision for her that she can't get this when she could get OSAP? If you allow for OSAP to go to either school, please help me understand why she couldn't for these other programs.

**Hon. John Milloy:** As I say, every program has to have certain parameters—

**The Vice-Chair (Mr. Garfield Dunlop):** Just two minutes on this particular round.

**Hon. John Milloy:** You could make an argument about part-time students. We focused in on full-time students at the network of colleges and universities where the bulk of students in the province go.

**Mr. Tim Hudak:** But I don't understand. For OSAP, you don't make a choice. You say that whether it's a public place—university or college—or not, OSAP is fully available. The Aiming for the Top scholarships, which the previous PC government brought in, were portable; the students could choose to go to any school. You have basically made an ideological decision, haven't you, to not allow the single mother to get the technology or textbook grant if she chose to go to Niagara University's program instead of the one at Brock University?

**Hon. John Milloy:** Again, I think you recognize that every program has limitations in terms of resources available, so there have to be parameters placed around it. This goes to full-time students in the network of community colleges and universities.

**Mr. Tim Hudak:** Under OSAP funding, there are grants, loans and scholarships, like the Aiming for the Top scholarship, that are fully portable. You basically allow the student to make her choice as to what school she wants to attend. But I believe work-studies are only available at publicly assisted universities. Is that true? How do you justify that three quarters of OSAP funding is portable and only one quarter is based on some sort of ideology?

**The Vice-Chair (Mr. Garfield Dunlop):** Just clean it up quickly in 30 seconds.

**Hon. John Milloy:** On the work-study, is that Richard or is that—

**The Vice-Chair (Mr. Garfield Dunlop):** Maybe just a quick response, if you could, please.

**Mr. Richard Jackson:** My name is Richard Jackson, and I'm the director of the student support branch. Mr. Hudak, the Ontario work-study program, as you indicated, is restricted to students at publicly funded colleges and universities in Ontario.

**Mr. Tim Hudak:** The question was why, though?

**Hon. John Milloy:** You asked the question of whether it was, and I wanted to confirm with Mr. Jackson. Again, these programs have parameters around them. We're limited in the sense of resources, so the support goes to the network of community colleges and universities where we're focusing these resources.

**Mr. Tim Hudak:** Do you think that's right?

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. We'll move on now to the third party. Mr. Marchese, please.

**Mr. Rosario Marchese:** Good morning, Minister.

**Hon. John Milloy:** Good morning.

**Mr. Rosario Marchese:** I just want to get back to some of the things I asked you last week and then move on to five pages of questions I have and do that as quickly as I can.

With respect to ranking around tuition fees, you might recall that at the end I said I had information that Statscan released something on the ranking that you and your staff were not aware of, or thought the last one was 2005. Did you get a chance to see it, you or Madame Fougère or others?

**Hon. John Milloy:** Barry? Sorry, Mr. Marchese.

**Mr. Rosario Marchese:** It's not a problem. It's okay. I don't expect you to have all the knowledge.

**Hon. John Milloy:** Thank goodness.

**Mr. Rosario Marchese:** Otherwise you'd be divine. That would not be possible.

**Hon. John Milloy:** That's the next estimates, the big estimates in the sky, right?

**Mr. Barry McCartan:** Barry McCartan, director of the post-secondary finance information management branch. Yes, we are aware of that study.

**Mr. Rosario Marchese:** Okay. Last week, were we aware of that study?

**Mr. Barry McCartan:** Last week we were not aware of that study in the sense that I didn't see the notes.

**Mr. Rosario Marchese:** So we're aware now?

**Mr. Barry McCartan:** Well, we do have a standard comparison of tuition fees under provincial.

**Mr. Rosario Marchese:** And that Statscan information confirms what I was saying; that is, as it relates to average undergraduate tuition fees for Canadian full-time students, we are the second-highest.

**Mr. Barry McCartan:** Correct.

**Mr. Rosario Marchese:** And the one that is ahead of us, for now at least, is Nova Scotia.

**Mr. Barry McCartan:** Correct.

**Mr. Rosario Marchese:** And in average graduate tuition fees for Canadian full-time students, we are numero uno. In Ontario, in 2007-08 it's \$8,486, in 2008-09 it's \$8,797. In second place is Nova Scotia, with \$7,242. In third place is British Columbia, with \$6,508.

**Mr. Barry McCartan:** Sorry. Are you citing the per capita comparisons?

**Mr. Rosario Marchese:** No, this is still tuition fees.

**Mr. Barry McCartan:** Thank you. I just wanted to be sure I'm clear.

**Mr. Rosario Marchese:** I just wanted that we are on the same page on this.

**Mr. Barry McCartan:** It's a matter of public record.

**Mr. Rosario Marchese:** Well, it's common now, yes, once we confirm it. I agree.

With respect to per capita, we had a difficult time with that one as well. I just want to refer to two documents—I would think you would say that these organizations have integrity and some research capability. I'm referring to the Ontario Confederation of University Faculty Associations. This was released March 25, 2008, and they say, "Just as in 2003, Ontario ranks last in Canada in funding of universities, per capita." The other document, by the



Council of Ontario Universities, says, "Ontario is still last in funding in Canada on a per capita basis, with operating grants per student of \$6,052 versus a Canadian average of \$8,500." That's July 2008. Would you say that these numbers are accurate?

0940

**Mr. Barry McCartan:** They are accurate at the moment in time at which they're done. It all depends on what year this information is based on. Both the OCUFA and the COU information is publicly available. We work with that information and we analyze it, just as they do our information. The COU information is lagged several years and the OCUFA information is not current, because we all use pretty much the same data sources for this comparison. In fact, after your question at the last meeting, we went back—per capita is but one indicator and not necessarily always the best one; I think per student funding is a little more relevant in many cases—and, using the census data and the 2006-07 reports from university financial officers, which are just available, we've actually been able to go into a new comparison, which shows Ontario is now seventh out of 10, where in the previous two-year ranking it was ninth.

**Mr. Rosario Marchese:** Can I ask you, first of all, is this new comparison that you've done available to us?

**Mr. Barry McCartan:** We can make that available to committee, absolutely.

**Mr. Rosario Marchese:** I'd appreciate that, because I'd like to know where you got your numbers and so on.

**Mr. Barry McCartan:** Absolutely.

**Mr. Rosario Marchese:** In terms of how you produce per capita numbers, as far as I know, to do a per capita calculation, you need the figure from operating grant and the figure of the general population.

**Mr. Barry McCartan:** Correct.

**Mr. Rosario Marchese:** And that's what you used for your new information that you have for us?

**Mr. Barry McCartan:** Yes.

**Mr. Rosario Marchese:** And that's up to date?

**Mr. Barry McCartan:** Yes.

**Mr. Rosario Marchese:** So the Council of Ontario Universities' information lags by—what did you say?

**Mr. Barry McCartan:** They had a 2004-05 comparison in their last public document that we've seen; that is, their 2007 resource document references 2004-05 data. That's the most recent one I'm aware of from them.

**Mr. Rosario Marchese:** And OCUFA, the same business?

**Mr. Barry McCartan:** I don't know their reference data. I'll have to get back to you on that.

**Mr. Rosario Marchese:** All right. So you'll be able to submit that information of how you calculated your numbers?

**Mr. Barry McCartan:** Correct.

**Mr. Rosario Marchese:** Okay. We'll look at that and we'll come back to you another time. Is that available soon?

**Mr. Barry McCartan:** I'll undertake to get it to the committee—

**Mr. Rosario Marchese:** Before we get back this afternoon so we can have a chance to see it and maybe ask a question or two?

**Hon. John Milloy:** We'll see what we can do. We'll work as fast as we can.

**Mr. Rosario Marchese:** I'm sure that miracles are possible in this regard, because the information's there, I'm assuming.

I was asking you questions last week about your contribution versus the federal government's contribution. I was asking you to give us the percentage amount, and we had a difficult time with that. You said I had to go ask the minister or you had to ask the Minister of Finance in terms of how much money's flowing. I want to refer you to a document by OCUFA again—thank you for that information—where they talk about the Canada social transfer and funding for post-secondary education: "The second change was for the federal government to earmark a portion of the CST," the Canada social transfer, "for PSE," post-secondary education. "In addition, \$800 million for PSE was added to the 2008-09 federal transfer."

They say on the next page, "If the increase in federal funding for the PSE is to be 'passed through' by the Ontario government to colleges and universities, without any being diverted for other uses from general revenue, the increase in funding above that already committed under Reaching Higher is estimated to be between \$480 and \$490 million for 2008-09. The minimum to be expected would be \$400 million, as outlined in the Canada-Ontario agreement (since superseded by the changes to the CST).

"In the run-up to the 2007 provincial election, the Liberals assured OCUFA that all additional federal funding for PSE would be added to the funds committed under Reaching Higher."

Given what they say, do you have any clearer thoughts about what the federal contribution is to the PSE?

**Hon. John Milloy:** Some of the challenge last week in terms of the questions is that you asked about federal contributions to my ministry for post-secondary education. Obviously, there's a relationship with the federal government in terms of the training side, but revenues for post-secondary education come from the Ministry of Finance, which, in turn, has a variety of revenue sources, one of them being transfers from the federal government. One of those transfers is the CST, which goes to support our government's operations in a variety of areas, and decisions are made on how that money is allocated. It goes into the pot, so to speak, and then decisions are made.

What I was suggesting last week is that this particular financial relationship with the federal government—decisions are made about various transfers. As I suggested, the Minister of Finance was here for a number of days. But we receive CST money and decisions are made by the government on changes going forward. I can refer you to the March budget, where we saw a huge increase in terms of post-secondary education—

**Mr. Rosario Marchese:** Minister, that's not helping me. I read into the record what OCUFA said about federal transfer dollars, and I was hoping I might get some clarity about what your contribution is versus the federal government's contribution to post-secondary education. I was hoping for a percentage amount. I'm not going to get it; is that correct?

**Hon. John Milloy:** As I say, the federal government does not fund post-secondary education directly. A series of transfers come through—

**Mr. Rosario Marchese:** I know that.

**Hon. John Milloy:** —and then I receive my budget. As I say, you can see significant increases, both through Reaching Higher and also through some of the money contained in the budget.

**Mr. Rosario Marchese:** Thank you, Minister. We're not getting anywhere. I just thought I'd put that on the record so those watching or following Hansard would have a good sense of where we're going with this, how much money we were expecting from the federal dollars to transfer immediately to your ministry. I put that on the record, so it's enough; I don't think we need any more.

**Hon. John Milloy:** And we did endeavour last week that we would get you an answer, because I believe we had hit a bit of a rut in the road and weren't moving forward.

**Mr. Rosario Marchese:** You want to be helpful. I know.

Other questions: Under the current Ontario Works program, any loans taken from OSAP results in the reduction or loss of Ontario Works payments. This can force parents to have to choose between just making ends meet or being able to attend post-secondary education. Is your ministry or your government doing anything to remedy that particular problem?

**Hon. John Milloy:** I'm sorry, I'm not—

**Mr. Rosario Marchese:** Under the current Ontario—

**Hon. John Milloy:** I know. There are a couple of different issues, and I just want to make sure I understand the issue you're raising here. Sorry.

**Mr. Rosario Marchese:** Under the current Ontario Works program, any loans taken from OSAP results in the reduction or loss of Ontario Works payments, and that makes it harder on students. I'm just wondering whether you or the deputy have any comment on how you're dealing with that.

**Hon. John Milloy:** My understanding of Ontario Works—and I can call on either the deputy or Mr. Jackson to explain—is that there is a protocol in place, and when one goes on OSAP, one leaves Ontario Works. But I'll ask Mr. Jackson to explain.

**Mr. Rosario Marchese:** Mr. Jackson, maybe you can confirm what I'm saying: Under the current Ontario Works program, any loans taken from OSAP results in the reduction or loss of Ontario Works payments. Are you aware of that?

**Mr. Richard Jackson:** I'd like to correctly explain what is actually happening. You've got it partly correct. In terms of what we refer to in the world of social

assistance as a dependent adult, that is, for social assistance purposes, an individual dependent on their parent, should they apply for and receive OSAP assistance, the portion of the OSAP assistance that is allocated for living allowance, not direct educational costs—so the portion for tuition, books, transportation and child care—has no impact on the dependent adult's parent's Ontario Works benefits. However, if a living allowance is being provided by the student assistance program, that is taken into consideration when the Ministry of Community and Social Services calculates Ontario Works entitlements.

**Hon. John Milloy:** If I may, Mr. Marchese, I believe your question was about someone on Ontario Works who wants to go back to post-secondary education and applies for OSAP. Mr. Jackson, I think there's a more detailed response—if that's okay, Mr. Marchese?

**Mr. Rosario Marchese:** Yes.

**Hon. John Milloy:** I believe they leave Ontario Works, do they not?

**Mr. Richard Jackson:** Yes. If the individual is receiving Ontario Works and elects to pursue post-secondary studies, that individual is required to access assistance through the student assistance program.

**Mr. Rosario Marchese:** Okay. It's probably a little more complicated than that in terms of question and answer on this, but I heard the answer you gave, Mr. Jackson. I'll review it in Hansard and we'll see where we go with that information, and maybe we'll get back to you another time. Thank you.

The loan repayment is meant to begin six months after graduation. However, students are telling us that during the so-called interest-free six-month grace period, the government actually stops subsidizing the interest on student loans immediately after the student leaves their studies, meaning interest begins to accrue in those six months. We've heard this to be the case. Can you confirm this?

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**Hon. John Milloy:** Sorry, I'll call back Mr. Jackson, and I'm going to look to him for technical approbation, but my understanding is that, yes, interest begins accruing when a student completes their studies. That six-month grace period involves repayment of the loan; it is not an interest-free grace period.

Mr. Jackson, I'll ask you to confirm or tell me I'm not up to speed on this.

**Mr. Richard Jackson:** Mr. Milloy, you are indeed up to speed on that. That is the correct answer, and that is the case for both federal and provincial student loans.

**Mr. Rosario Marchese:** What we've heard is that some students start paying interest right away, not after the six-month grace period. Is it true? Is it happening? We hear that it's happening. Are you saying it's not?

**Hon. John Milloy:** No, we're saying that the six-month grace period involves beginning your loan repayment schedule. It does not involve a suspension of the interest. You finish your studies, you have accumulated a loan, in the example you put forward, and interest starts right away. You have six months, though, before you



begin your payment schedule. That being said, for students who are—

**Mr. Rosario Marchese:** Sorry, just to be clear: As soon as you're out of school, you start paying interest right away?

**Hon. John Milloy:** I shouldn't say "paying"; the interest begins to accumulate on your loan. Again, I'll ask Mr. Jackson to provide any clarification.

**Mr. Richard Jackson:** While students are enrolled in full-time post-secondary studies, both the governments of Ontario and the governments of Canada pay the interest on those loans on behalf of the student loan borrower.

During the six-month period after the cessation of full-time studies, interest does accrue on both the federal and provincial student loans. At the time that loan enters into repayment, which is six months after the completion of full-time studies, the borrower has the option to make either a one-time lump sum payment against that capitalized interest, or have that capitalized interest added to their student loan debt and they would repay it over the course of the duration of their student loan repayment.

**Mr. Rosario Marchese:** Just specific to that period—and I don't need to know the technicalities, because your language can be technical—I understood you to say that the interest does start right away, once you leave university.

**Mr. Richard Jackson:** The interest starts—

**Mr. Rosario Marchese:** Right away. There's no six-month period. There's no grace.

**Mr. Richard Jackson:** No payments are required during this—

**Mr. Rosario Marchese:** No payments, but there is interest immediately.

**Mr. Richard Jackson:** Correct.

**Mr. Rosario Marchese:** So there is no six-month grace period, really.

**Hon. John Milloy:** There's a six-month grace period in terms of repayment.

**Mr. Rosario Marchese:** But interest does accumulate right away.

**Hon. John Milloy:** Yes, during that period. At the same time, there are, as you know, programs available to students who are having problems—

**Mr. Rosario Marchese:** That's fine.

I have a question about tuition fees and ancillary fees. Students in Ontario contribute 45% of university operating budgets through fees. In contrast, students in the other nine provinces contribute approximately 29% of university operating budgets through fees. How do you feel about that?

**Hon. John Milloy:** We'll just confirm.

**Mr. Rosario Marchese:** Yes, please.

**Hon. John Milloy:** Again, I say with the greatest respect, there are different figures that are put out by different groups, all in good faith; comparisons of apples and oranges—

**Mr. Rosario Marchese:** But he's got the right numbers, correct?

**Hon. John Milloy:** I think he's going to check on the right numbers. You want to confirm them.

**Mr. Barry McCartan:** We should come back to the committee this afternoon. The minister is correct: There are many interprovincial comparisons on this issue. Typically, Ontario is not that far off of most other provinces. But let's—

**Mr. Rosario Marchese:** But you do have numbers. Is that correct?

**Mr. Barry McCartan:** I believe we do. We'll go back to staff and check.

**Mr. Rosario Marchese:** If it's available this afternoon, that would be great; if not, we'll have to request it, I guess, for the long haul.

We also wanted to ask you, what is the breakdown, by institution, of the percentage amount by which tuition fees have increased from last year to the current year?

**Hon. John Milloy:** We'll endeavour—

**Mr. Rosario Marchese:** I'll just put it—

**Hon. John Milloy:** This will all be on the record.

**Mr. Rosario Marchese:** Put it on the record, exactly. What are the current ancillary fees for each institution—colleges and universities? What is the breakdown by institution of the percentage amount by which ancillary fees have increased from last year to the current year? What are the international student tuition fees for each institution for the current year? What is the current total debt of Ontario's students? What is the average debt of students who have OSAP?

We'll leave it at that for questions.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. So you can get those questions answered, Minister, for Mr. Marchese.

**Hon. John Milloy:** Yes. And again, Mr. Chair, as I indicated, I will be—I think we break in a few minutes and we'll certainly make sure the answers that we have from last week are brought forward.

**The Vice-Chair (Mr. Garfield Dunlop):** We have a total of about half an hour remaining this morning. So I'll now go over to the government members, Mr. Moridi, and then the official opposition will have about 10 minutes after that before the bells ring, okay?

**Mr. Reza Moridi:** Thank you, Mr. Chair, and good morning, Mr. Minister.

**Hon. John Milloy:** Good morning.

**Mr. Reza Moridi:** Recently, I watched CBC's The National's special feature report—Hard Times Hard Choices. It outlined many of the economic challenges facing Canada today and it focused particularly on the challenges to the auto sector.

We know the economic situation around the world is in a period of transition and that a lot of factors affecting Ontario's economy are really beyond the government's control to fix. The crisis in the US banking industry is one of those factors. The serious financial situation of US-based auto companies is another. It was really disheartening to see the Big Three auto makers appealing to the US government for financial assistance.

Minister, all of this has a very real impact on the people of Ontario. Our citizens rely heavily on the auto sector for manufacturing jobs and for thousands of spinoff jobs that are created to serve and supply the auto industry across the province. We are seeing many layoffs in Ontario as a result, and this is creating financial challenges for families across the province.

The CBC program I mentioned took a look at the Ford plant in Windsor, and at what people who have lost their jobs are doing to cope. It was great to see that. The program talked to people at the Ford Workers Adjustment Centre. This centre was set up in conjunction with the Ministry of Training, Colleges and Universities. It's what you call an action centre, and it's a place where laid-off people can get help to get into a training program or get career counselling. All of the career-related programs the government offers through Employment Ontario are available at this one Ford Workers Adjustment Centre.

It was great to see that some of the laid-off workers at Ford are today back in the classroom building a new career in areas like woodworking, health care and construction. Many of these workers are participating in our new program Second Career, and the chance to go back to school and learn new skills for a new job is bringing them hope.

Minister, I know Second Career is one of our government's initiatives to help laid-off workers. My question is, what other assistance are we providing to these workers? What help is available for people who need a job?

**Hon. John Milloy:** I thank you very much, Mr. Moridi, for your question. You tie, very clearly, the work of my ministry to the economy and to the economic challenges that are happening in the province. Of course, we need to address the economic challenges on two levels. The first is, we have to deal with the fallout of the international financial situation, which, as you rightly point out, is having a huge impact on our manufacturing sector, particularly in the auto sector. We have to deal with the immediate effects of that in terms of workers who are laid off and, at the same time, continue to prepare the Ontario economy to not only weather the storm, but emerge from the storm stronger than ever. I think all of us recognize that, with the changing world situation, with globalization, etc., no longer can we look at the whole idea of competing on the basis of a low-wage economy. When you look at some of the competition we have around, the only way we are going to continue to prosper is to make sure that we have the most highly trained, highly skilled and highly knowledgeable workforce, and that means attacking the problem at all levels.

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In terms of post-secondary education, we've talked about that and those investments, everything from undergrad through graduate studies, the important work that goes on in our community colleges, and issues around training and retraining.

I want to pick up on that aspect of your question and the whole notion of an action centre.

Certainly, as minister, I've had the privilege of visiting a number of action centres across the province, including the one that you specifically referenced in Windsor. Surprisingly, I think it's a very uplifting experience to visit an action centre. I must admit, as an MPP, before I was minister, I had a chance to attend the opening of an action centre. I went there, I'll admit quite openly, with a little bit of fear that I was going to a factory situation where you'd have individuals who had lost their jobs and that it would be a very stressful experience.

Although I don't want in any way to take away from the pain that the people were going through in terms of the job loss, the whole idea of an action centre is really a chance to add to the Employment Ontario network that I spoke about in my opening comments. It's a chance to bring together partners: oftentimes the employer, the union that's involved, community members. It is a physical location where supports are offered to individuals who have been laid off from a particular setting. In most cases, the ones I visited are factory settings, many of them linked into the auto sector. Funding for these centres, again, is done on a partnership basis, and TCU makes fairly significant investments in establishing them.

The key idea of the centre is pure support. It's the idea that many of the people who work at the centre and volunteer at the centre are from that factory where the layoff has taken place and they're able to offer their colleagues some personal support. They're friends. They know each other. They can come through. Many of them are in the same boat. They can trade ideas and best practices. They can talk about areas in the local community where there is hiring, exchange information on leads that might be going forward. At the same time, on a more formal level, they can link into the system of Employment Ontario services.

As I say, I've visited a number of them. I've visited a number of openings, and I always point out that when a politician comes to an opening it's usually a time of celebration. Although, again, I always acknowledge and recognize the seriousness of the situation and extend my sympathies, I also think that there are things that we can celebrate in terms of action centres, in terms of the collegiality that goes on and the support that goes on; also, the fact that the community is often involved. Certainly, with openings, you'll see the local mayor, councillors and that sort of thing coming forward.

I think many of the workers who have been laid off don't realize that they have a set of skills that may not be as immediately apparent to them. They've worked in one function, perhaps for many years, and they don't realize that there are skills that they've developed which are transferable to other areas. That's where the whole idea of Employment Ontario comes in.

As I said at the beginning, unfortunately sometimes there's a bit of confusion—that Second Career becomes Employment Ontario, when in fact Employment Ontario is much broader. First of all, it starts with the whole idea of assessing an individual, finding out what their skills are, oftentimes helping them discover a whole range of



skills they didn't realize were there, helping them with their job search, with job matching, helping them with resumé writing, interview skills, access to job banks, job clubs, career fairs, that sort of thing, and then at the same time assessing an individual and indicating whether that person wants to go on for training that might be on a short-term basis, through the skills development program, or on a long-term basis, through Second Career.

Certainly, the work that's done in action centres in shepherding people through the process, in offering them support and offering them that advice, is invaluable.

At the same time, action centres can access different funds to work on individual training programs for some of their workers. At the one that I visited in Ford, I met a number of individuals who were I believe in a heavy equipment program and were extremely enthusiastic. They were moving forward to careers at the end of this and they really had a new lease on life. There's been work that has been done with community colleges. Again in the Windsor area, the particular Ford plant you speak about worked with St. Clair College to take individuals who had certain skills from the line which could be translated into an area of mechanics where there was a real demand in the community. They were able to be fast-tracked—if I can use the term—through the program and came out at the end with jobs waiting for them.

I think the whole idea of an action centre as an important entry point for a layoff situation, many of them related to the auto sector, is really a chance to give people that boost and the support they need. Again, we're dealing with individuals, and I think all of us can recognize the psychology of the situation: Someone has lost their job, someone has been in a situation for many years, and they need that support and encouragement really to examine other alternatives, to examine, as the program connotes, the possibility of going forward to a second career.

**Mr. Reza Moridi:** My second question to the minister relates to my riding of Richmond Hill. Minister, my riding of Richmond Hill has experienced significant growth in population and many other aspects. According to Statistics Canada, the town of Richmond Hill has seen their population grow by 30,000, or 23%, from 2001 to 2006, just over five years, and the York region population also had a growth of 22%. When you compare this with the province's growth rate, which is 6.6%, it's quite significant. Many people move to York region from other parts of the country and the province. Many newcomers choose to settle in this region of Ontario. They choose this region for its good public education and the health system as well as proximity to Toronto. Many people choose to create the headquarters for their businesses in York region and Richmond Hill because of the strategic location from a business point of view.

My question to the minister is, facing the growth of population, what action has the ministry taken to help those growing numbers of young people of York region who will access post-secondary education? What is the level of post-secondary education in Ontario compared

with other jurisdictions in the G8 countries? What will the ministry plan to do next regarding accessibility?

**Hon. John Milloy:** I appreciate the question, and certainly the trend that you're speaking about is one that we should celebrate. I think I mentioned in my opening comments last week that there have been about 100,000 additional students in Ontario's colleges and universities since 2002-03. I think even the most hardened observer would have to applaud the success of Reaching Higher in terms of welcoming more young people into our colleges and universities. In fact I believe, in terms of the G8, which you mentioned, we have one of the highest levels of post-secondary participation in the world, something we should be very proud of. We've provided a series of supports to increase this growth through the Reaching Higher plan. All told, over the five years it will provide an additional \$6.2 billion to the post-secondary education system by 2009-10, which is the most significant investment in 40 years.

The focus hasn't simply been at the undergraduate level. We've also recognized the importance of graduate education. One of the creative things we've done is that we've worked with the sector to have them identify their interest and their capacity in terms of graduate spots, and our target has been to increase access to graduate education by creating 14,000 additional graduate student spaces by 2009-10. What that means is asking, if I can use this term, for a request for proposals, where an institution comes forward and says, "We're interested in taking this number of master's spots or this number of PhD spots."

**1010**

We've certainly seen a great deal of interest on the part of the institutions and, I think, appreciation that we can work together and establish those targets. The institutions have been very open to the idea of being held accountable, so we can go back and take a look at how they're doing in terms of meeting the enrolment data, because the postgraduate level is so important, to go back to my earlier comments, in terms of Ontario's success in moving forward.

You talked about projected enrolment over the next few years, particularly in the GTA. I think all of us recognize some of the employment growth you're speaking of. At the same time, I think people also recognize the participation rates and the fact that we're seeing more people looking at colleges and universities as an option, moving forward. We certainly anticipate this growth to continue, and we encourage this growth.

As you know, part of our ministry's strategy is to reach out to underrepresented groups. I spoke a little bit about this last week in terms of the first generation in your family to move forward, in terms of aboriginal Ontarians, in terms of people with disabilities, francophones who want to study in their own language. We've been supporting that growth and, moving forward, this continues to be one of the preoccupations of the ministry.

We're working with institutions as we move forward, as we project forward. We've undertaken a review of

capital needs across the province, which, in turn, will allow us to map out where some of this growth is going to be. At the same time, I've been working with some of the northern institutions that have seen their growth level off, to talk about strategies there. This is one of the preoccupations of the ministry in terms of the planning and making sure that young people have access.

At the same time, I think it's important to look at some of the creativity that exists in the system. We've seen a huge success in partnerships between community colleges and universities. I think we need to offer students, especially this new cohort coming in that you referred to, a whole menu of opportunities. Many of them are looking for the applied learning experience of a community college, and they're also looking for the more academic side of a university. We've certainly been encouraging those sorts of partnerships.

I had the pleasure of going to the convocation for the Humber-Guelph program, again, an articulated program, "two plus two," as they say: two years at one, two years at the other. I was with the Premier at McMaster, and Mohawk does a BTech program; again, a more applied side at Mohawk, and then an academic side at McMaster. From what I understand, the graduates of this program are being snapped up, particularly in the manufacturing area, because there are manufacturing sides of this province that are continuing to prosper, and these students come forward with these skills.

When you look at the challenge, with the number of students coming into the system, we have to continue to encourage them; we have to continue to reach out to underrepresented groups. But we also have to make sure that this isn't, if you'll excuse the term, a warehousing operation, where you simply send the students off without a lot of choice or possibilities in terms of where they're going, and making sure that's aligned with the economy and some of the needs, so we can make sure they're finding employment.

**The Vice-Chair (Mr. Garfield Dunlop):** You have about a minute and a half left in this round, so a quick question.

**Mr. Reza Moridi:** Thank you, Minister. I'm very much pleased to see that in this very difficult and challenging economic situation, our government has plans and programs in place to help our laid-off workers. In particular, as you mentioned, Minister, these action centres are doing a great job in helping laid-off workers to get back to work and find new jobs. Second Career has attracted quite significant numbers of laid-off workers. We are aiming for 20,000 laid-off workers to take advantage of this wonderful program where they can continue their education at community college.

It's not the end of the world when you get laid off. Minister, in my life I have experienced—not being laid off—purging, in my home country of Iran when I was a professor at the university and the revolution happened. That was very, very tough. I can see this is not an easy process when one goes through it, but it's not the end of the world. This is the message we are basically giving to

our laid-off fellow Ontarians, that government is there to help you out. There are the action centres; there is Second Career, with \$385 million of investment; there are other programs under Employment Ontario.

As a government, as a society, we are beside our laid-off workers and we are there to help them out. We recognize that our real assets are our people, not our factories, not our buildings, not our roads. The real assets and the real wealth are the people, and we are investing in people.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you. You're over the time. It was a nice little speech.

**Hon. John Milloy:** I agree, Mr. Chair.

**The Vice-Chair (Mr. Garfield Dunlop):** To the official opposition. You've got about 10 minutes.

**Mr. Tim Hudak:** Maybe, Minister, I can call back the gentleman you had up about the work-study program.

**Hon. John Milloy:** Sure. Mr. Jackson.

**Mr. Tim Hudak:** Can either Mr. Jackson or the minister explain, briefly, what the work-study program involves?

**Hon. John Milloy:** I'll turn that over to—well, I think you have to introduce yourself.

**Mr. Richard Jackson:** I'm Richard Jackson, director of the student support branch.

The work-study program was created in 1983-84. How the program operates is that the ministry provides transfer payment grants to colleges and universities electing to participate in this program. The institutions line up employment opportunities for potential applicants to this program. The province pays 75% of the salary; the institutions pay the other 25%. The maximum funded amount is \$1,000 per academic term.

**Mr. Tim Hudak:** It's targeted at low-income individuals?

**Mr. Richard Jackson:** It's targeted to low-income individuals. It tends to go to individuals who may have special circumstances that can't be addressed through the normal policies and procedures of the student assistance program.

**Mr. Tim Hudak:** The annual OSAP transfer is approximately—about \$5 billion is allocated in the transfer payments for operating, from the ministry through estimates. What's the OSAP total approximately?

**Mr. Richard Jackson:** I didn't bring my briefing book to the table.

**Mr. Tim Hudak:** Maybe you can get back to me on that one.

**Mr. Richard Jackson:** Yes, I certainly can.

**Mr. Tim Hudak:** If I understand, from the minister's earlier comments, if you're receiving an OSAP grant or a loan or a Reaching Higher scholarship, it doesn't matter if you go to a publicly assisted university or college or not; you're eligible. But for work-study, that's not the case.

**Mr. Richard Jackson:** Correct.

**Mr. Tim Hudak:** What proportion would the work-study allocation be, from the total OSAP allocation: roughly 5%, 2%?



**Mr. Richard Jackson:** The work-study budget allocation is \$8 million per year. It's a relatively small percentage.

**Mr. Tim Hudak:** An extremely minimal percentage of the OSAP total.

**Mr. Richard Jackson:** Correct.

**Mr. Tim Hudak:** Minister, help me understand. You said one of the reasons that you don't allow these grants to go to non-publicly assisted universities or colleges is because you're saving on resources. If this is \$8 million of a huge budget—surely to goodness, private universities and colleges are a very small part of the system—you can't justify this on a resource basis.

**Hon. John Milloy:** No. I apologize if you misunderstood what I was saying. I mean, it's a nuance in what I said. What I said is that, obviously, every program has to have parameters around it. The resources available for student assistance through all forms are limited, and we made a decision to target these various programs at the system of colleges and universities across the province where most students go.

As I say, these programs have to have parameters. It would be nice if there was an endless supply of money and you could enrich and expand them. But it's about making choices.

1020

**Mr. Tim Hudak:** What proportion of Ontario students attend the publicly assisted universities and colleges? It's got to be, what, 95%, 97%?

**Hon. John Milloy:** Yes, we can give a ballpark of 97%.

**Mr. Tim Hudak:** So because of resources you drew the line, and the other 3% can't qualify for the work-study program?

**Hon. John Milloy:** Government is about—yes, there are lines that are drawn, parameters. These particular programs are focused at the system of community colleges and universities that we're familiar with.

**Mr. Tim Hudak:** Let's say a student goes to the University of Sudbury, for example. He would be eligible for OSAP. He'd be in that 3% that's not at a publicly assisted university, so why is he eligible for OSAP?

**Hon. John Milloy:** I think the University of Sudbury is—I thought that was the French-language—

**Mr. Tim Hudak:** If my example is wrong, let me change it to—

**Hon. John Milloy:** No, no, I apologize. Again, OSAP supports students and we're able to expand it so it supports other institutions. It doesn't—and I look to Mr. Jackson, who can give all the technical details—support every program that's offered. Certain programs are OSAP-eligible, and that decision was made to assist students.

I apologize if my answers are frustrating, but in a sense, it is what it is. Every program has parameters. Some are focused on the public network of the universities and colleges that we're familiar with; others have been broadened to allow programs that are outside

that system. Decisions have been made by the government.

**Mr. Tim Hudak:** I'm just trying to understand where you draw the line, aside from ideological reasons. If OSAP loans and grants are portable, if the Reaching Higher scholarships are portable, then I don't understand why, if a low-income individual who's trying to make her way through university or college gets a job helping the administration to help pay her bills so she can climb up the economic ladder, you say she's not eligible if she goes to a private university as opposed to publicly assisted. How can you justify drawing that line?

**Hon. John Milloy:** As I say, every program has parameters around it and these particular programs are focused on—I mean, there are programs that are focused on the network of community colleges and universities and there are programs that are broader, for example OSAP. If you want, Mr. Jackson, I'm sure, could give you the technical way we examine programs. Some programs are available for OSAP; some are not.

**Mr. Tim Hudak:** Let me ask just a simple question, because I don't think the minister has given me a good reason. So this individual comes from a low-income family and she's trying to climb her way up the ladder. If she can qualify for an OSAP grant and goes to, say, LaSalle College International, Tyndale University College and Seminary, for example—so if she's eligible for an OSAP grant, why isn't she eligible for a work-study program? What's the difference between the two programs?

**Hon. John Milloy:** Again, Mr. Hudak, decisions are made. I think in general you would agree that government resources are always scarce, and where the investments are made—Tyndale college or the examples you gave do not receive government support. Again, we've drawn the line in terms of the operating side; we've also targeted some of these other programs to the network of universities and colleges.

**Mr. Tim Hudak:** My point, Chair, to make sure it's clear, is that the largest proportion, the overwhelming proportion of the OSAP budget—grants, loans, scholarships—is fully eligible no matter where you go, fully portable, but for one of the smallest portions, \$8 million out of a \$4-billion or more budget—\$8 million—you're not eligible. It just seems bizarre. Unless I hear otherwise, I can only assume it's ideological, that the minister doesn't have faith in schools that aren't publicly assisted, doesn't think they are equal to others.

Let me give you another example, for your distance travel grant. If somebody is travelling from northern Ontario—say she lives in Thunder Bay and she wants to go down to Niagara—why is she eligible if she goes to Mohawk College but not Redeemer?

**Hon. John Milloy:** Sorry, I won't get into an argument about the travel grant. Where did you say the person was from?

**Mr. Tim Hudak:** Northern Ontario.

**Hon. John Milloy:** Oh, northern Ontario. Sorry. I thought you said a community. I apologize.

**Mr. Tim Hudak:** So if she goes to Mohawk she's eligible for the travel grant, but if she drives a few kilometres farther, she's no longer eligible because she chose Redeemer.

**Hon. John Milloy:** Again, overall—and you can appreciate this—resources are always limited, and we've chosen to focus these programs in terms of the network of colleges and universities to assist students going there. Decisions have to be made around the parameters. These are institutions supported significantly through operating dollars and we're assisting those students. As I say, there are parameters. At the end of the day, there have to be, because there's not an unlimited amount of funding.

**The Vice-Chair (Mr. Garfield Dunlop):** I think we should adjourn there, folks; we've got about four minutes to get upstairs to the House. We'll recess until this afternoon at 4 o'clock.

*The committee recessed from 1025 to 1603.*

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. I'm calling to order the afternoon session of the estimates of the Ministry of Training, Colleges and Universities. We have a total of one hour and 47 minutes left, so we should be concluding today. Of course, after the time is up, we do have the votes at the end.

When we last met, this morning, it was the official opposition. They had 10 minutes and 39 seconds remaining on their clock. We will continue, after that, to 20 minutes to the NDP and then to the Liberals, and divide the remaining time equally.

Mr. Wilson, you have 10 minutes and 39 seconds to go.

**Mr. Jim Wilson:** Thank you, Mr. Chairman, Minister and colleagues. I just want to start the afternoon session with a couple of e-mails from constituents who have asked me to put this on the record regarding the York University strike; we're in day 20. They would like a response from the minister.

The first one I'm going to read in today—I have quite a few that are exactly like this, so this is a sample—is from Cassandra Veraty. She tells me in a follow-up e-mail that she is a constituent of mine.

“November 24

“To whom it may concern

“I'm currently a student at York University. I feel like I am being held hostage. Since November 6, 2008, my classes have been cancelled due to the strike. This is affecting my right to an education and jeopardizing my future. I'm asking you to pass back-to-work legislation as soon as possible to end this strike. Your assistance in this matter will be viewed most positively during the next election”—and, I'm sure, during your next election, too, Minister. I hadn't read that line before.

**Hon. John Milloy:** I think it's at the same time, Mr. Wilson.

**Mr. Jim Wilson:** Yes. So, “pass back-to-work legislation” is her request. Are you contemplating that? Are you drawing it up? When will jeopardy occur for about 50,000 students?

**Hon. John Milloy:** I'm happy to respond. I know there was an exchange this morning with your colleague, as well as one in the House.

As I think you're aware, universities are autonomous institutions. So their relationships with their workers, the negotiations that go on, and, in this case, a disruption through a strike are happening, in a sense, in an autonomous way between the administration and those individuals who are on strike.

We're obviously very disappointed that that has happened. We're encouraging both sides to come back to the table as soon as possible and to resolve the issue in the best interests of the students, of the individuals that you brought forward.

I understand and certainly appreciate their frustration. My colleague the Minister of Labour had an opportunity to speak to this this morning in the House, and in these situations, where we're talking about an autonomous institution, I defer to him in terms of public comments. He did outline in question period some of the work that we're doing to try to mediate it. We are encouraging, as I say, both sides to come to the table.

**Mr. Jim Wilson:** I just want to have you also respond to another constituent with a different e-mail. This is Ava Aslani, and she is from the south part of my riding. I responded to her with the e-mail I just read in, and then she wrote:

“Thank you for your reply.

“I feel I should tell you about the situation that I find myself in due to this strike. Every student is upset, but I think it's important to see first-hand what this has done.

“I work full-time for RBC to pay my tuition at York University. The only vacation time that I take from work is to allow me to write exams. I have to book this vacation time very early in the year and had it planned for December, which is normally an exam period.

“Due to the strike, my vacation time is essentially wasted, and once classes resume, I will have to write my final exams while still working, which I'm sure you can understand is very difficult to do.

“Furthermore, because of the strike, the school year will be extended into the summer months. I'm currently in my third year and will be writing my LSATs in the summer to apply for law school the following year. Now I'll have to juggle final exams at the same time that I will be preparing for my LSATs. I'm sure you understand that this is also very difficult to do.

“While I understand the situation faced by the TAs and contract faculty, I disagree that students should be the ones who are hurt by the situation. I plead with you to do everything in your power to get us back to class.

“If I was in fifth grade, I would be very excited about a strike. However, university students face a much different battle, and this is hurting each and every one of us severely.”

Yesterday, with the international exchange students, it was clear that jeopardy had been reached there and that they had to get back to class in order to meet course obligations in January, so people were able to make a



decision in that situation. How will you determine when jeopardy has occurred, that they might lose their semester? What processes are you taking there? Surely to goodness, Minister, you or the Minister of Labour must have some idea, based on precedent in these situations, just how many days—it's 20 days today. Is it going to be 25 days, 30 days?

**Hon. John Milloy:** Again, I appreciate your constituents' frustration. We're obviously very disappointed in the strike. We're encouraging both sides to sit down and resolve it.

Some of the questions that you're posing today really go to the heart of the system that has evolved of independent institutions, universities. The way that they're funded, the way that they're managed, the role of the boards of governors—this is not partisan or linked to one particular government. That's how it has evolved; therefore, they're in the role of an autonomous institution that is facing a work stoppage, a strike in this case.

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The government has mechanisms, some of which the Minister of Labour spoke about in the House, to try to mediate and bring the parties together. We're moving forward in the usual course to try to be as supportive as possible. Again, I think that's all I, as Minister of Training, Colleges, and Universities, can say on the matter. As I say, the Minister of Labour can talk about it in terms of labour relations, but again, we call on both sides to come to an agreement as soon as possible. We certainly appreciate the frustration, and we're trying to encourage both sides and to bring in the mechanisms that are in place.

**Mr. Jim Wilson:** A question here from a constituent of mine named Stacy Cridland. It's a different topic: a student scholarship inquiry. It's an e-mail regarding the Aiming for the Top scholarship. It's the first I've heard of this situation.

I'll paraphrase. She starts off by saying, "My name is Stacy Cridland. I am a resident of Tottenham and I am a student of Humber College in Etobicoke." She goes on to say that she qualified for an Aiming for the Top scholarship. She has maintained, in her first of couple years of college, the 80% required.

In her third year, she took extra courses so that she wouldn't have to go back this fall; she would go back the next semester. So over the first three years, she took extra courses, maintained her qualifications for the scholarship, and has been working since the summer at a co-op program with Cardinal Farm Supply, which is just outside of Alliston on County Road 10. And because she took the extra courses and she's not going back, she received a letter. She says:

"I am contacting you because a few weeks ago I received a letter in the mail saying that I had once again met the requirements for the scholarship and I am entitled to an amount of money that will cover my tuition costs." She contacted the school; the school said, "No, you're cut off because you're missing a semester."

So here she doubled up on courses so that she could stay at co-op longer and earn more money for herself, but

her scholarship is being cut off. She won't receive it at all in the next semester.

So I'm going to give you this and give you some time to think a bit. I think it's an unfortunate situation, and I'm wondering if the rules could be adjusted to help Stacy out. You may want to comment on it now, and I'll certainly table it for your consideration. I did send it to you on October 22, but it's been a month and she's in limbo. She doesn't really know what to do, and she's very, very disappointed that her scholarship's going to be cut off—which, obviously, she deserves.

**Hon. John Milloy:** I'm happy to follow up with you either offline—I don't want to take away from your time—or I can ask one of the officials to comment, but if you'd like we might be able to give you a more fulsome answer if you want to table it. It's up to you, Mr. Wilson.

**Mr. Jim Wilson:** I'm going to table it, and just while I have about two minutes, I'm going to table another one that I wrote to you on October 22. It's from Kelly Ellis from Collingwood. It's about the Second Career program, and it's quite a compelling story of how she's having a difficult time and difficulty with money. Perhaps when I have more time, I'll read a little bit more into the record of what she tells.

It's quite a sad story in many ways. She's got children, she's a single mom, she's 49 years old, and she doesn't want to waste taxpayers' money or time, she says, but she just can't seem to qualify for the Second Career program. So we'll go into that in further detail when I have a minute. That's it for now, Mr. Chairman.

**The Chair (Mr. Tim Hudak):** To the third party: Mr. Marchese, you have 20 minutes.

**Mr. Rosario Marchese:** Minister, I've got some questions, and I don't expect that you would have the answers today, so I'll just put the questions out.

**Hon. John Milloy:** Certainly.

**Mr. Rosario Marchese:** What is the student-faculty ratio now compared to before Reaching Higher was introduced? The other question is, how many new faculty have been hired in the last year by each institution? Can the minister provide the number of teaching assistant, grad assistant and contract faculty positions at each college and university and the total salary being paid to each group in each term for the current year and each of the last five years?

I have a few questions on the labour market development agreement, which I'll simply refer to as the LMDA. The labour market development agreement came into effect January 2007. The increase in money from the federal government is for programs and services for those eligible for employment insurance. This brings the committed amount from \$525 million to \$830 million annually by 2009-10—these are, I think, your figures. How much revenue has the ministry obtained so far from this agreement?

**Hon. John Milloy:** Again, I appreciate it's your time, if you want to table some of those questions. I think I may be able to shed a little bit of light on that, or do you want to continue to table those questions?

**Mr. Rosario Marchese:** I don't mind just asking the question and getting an answer at another time; I have lots of questions.

**Hon. John Milloy:** Okay, sure.

*Bells ringing.*

**The Chair (Mr. Tim Hudak):** It looks like an adjournment of debate motion, which, I think members know, is a 30-minute bell. When there are about five minutes left, I'll recess the committee and we will continue where we left off.

**Mr. Rosario Marchese:** So we're going to—

**The Chair (Mr. Tim Hudak):** You have 25 minutes. You'll have your time for sure.

**Mr. Rosario Marchese:** As a follow-up question, how much of this commitment has yet to be fulfilled in terms of dollars?

**Hon. John Milloy:** I'll be brief—and I'd be happy to call Mr. French forward, who is sort of our resident expert on all this. The LMDA was a transfer program, so the dollars that came with it were to fund existing programs.

**Mr. Rosario Marchese:** They all came?

**Hon. John Milloy:** The premise of some of your questions, I believe, is that there was sort of an extra cash infusion that came in. As I said, we're happy to sort it out in the written answer we give you.

**Mr. Rosario Marchese:** That's fine. If the answer is that all the money has flowed, that's fine. Is that what I understand from you?

**Hon. John Milloy:** Can I call on Mr. French?

**Mr. Rosario Marchese:** Yes, sure.

**Hon. John Milloy:** Again, this is your time, so I don't want to—

**Mr. Rosario Marchese:** I agree. If it's a quick yes—all I need is a quick yes.

**Hon. John Milloy:** Okay.

**The Chair (Mr. Tim Hudak):** I'm sorry. The gentleman's name is?

**Mr. Kevin French:** Kevin French, assistant deputy minister, employment and training division.

**The Chair (Mr. Tim Hudak):** Thank you.

**Mr. Kevin French:** The minister is correct in stating that it was a transfer of both programs and services from the federal government and a transfer of staff who are now Ontario public servants.

**Mr. Rosario Marchese:** So all the money has flowed and it is, I assume, \$839 million. Is that the number?

**Mr. Kevin French:** The amount that was transferred from the federal government—it is adjusted annually—was approximately \$529 million in transfer payments for programs and services—

**Mr. Rosario Marchese:** Okay.

**Mr. Kevin French:** —and there is an amount that is transferred to support the direct operating of those programs and services, which is through the labour market development agreement signed in November 2005.

**Mr. Rosario Marchese:** Is that extra money that you're talking about—\$529 million for transfer payments

and then you said there was an extra amount that comes as a result of other cost—

**Mr. Kevin French:** To support the services that came with it.

**Mr. Rosario Marchese:** How much was that? Do you know?

**Mr. Kevin French:** It's approximately \$58 million.

**Mr. Rosario Marchese:** Okay, good. In terms of what programs are actually funded by this, is that something that's easy to answer? Is it long? If it is, I'd rather get it in writing. I don't need to know today.

**Mr. Kevin French:** The programs that were transferred as a result of the labour market development agreement are all posted on the ministry website. The program descriptions are posted on the ministry website.

**Mr. Rosario Marchese:** Okay.

**Hon. John Milloy:** We can obviously furnish it to you.

**Mr. Rosario Marchese:** Very good. If that's the case, then we're fine. Thank you.

I have other questions you may want to answer, so you might want to stay there because they may pertain to you as well.

In February 2008, you made an announcement about a new Canada-Ontario labour market agreement coming into effect April 1, 2008.

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** At the time, you said it complements the labour market development agreement signed by the governments of Canada and Ontario in 2005, under which the province assumed responsibility in 2007 for designing and delivering employment programs and services for unemployed people eligible under the EI program. Could you explain how this agreement complements the previous agreement?

**Hon. John Milloy:** Sure, and I can also refer to Mr. French for a bit more technical answer. One of the thrusts of the LMDA was to deal with individuals who are not EI eligible. The LMDA obviously focused on the EI side, so that's why I used the term "complement."

Kevin, I don't know if you want to add.

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**Mr. Kevin French:** That's correct, Minister. What the labour market agreement actually focuses on are—some of the programs and services that were transferred under the labour market development agreement have eligibility requirements tied to the Employment Insurance Act. This agreement does not have those—

**Mr. Rosario Marchese:** Exactly what he said. Very good.

The labour market partnership agreement between the provincial government was to invest \$1.36 billion over six years, beginning in 2005-06. This was to fill gaps in the labour market programming for those not eligible for EI.

How much revenue has the ministry obtained so far from the labour market partnership agreement signed with Ottawa in 2005?



**Hon. John Milloy:** My understanding is—and I'll turn to Kevin on this—that the funding never flowed. Is that correct, Kevin?

**Mr. Kevin French:** Yes.

**Mr. Rosario Marchese:** The funding never flowed?

**Hon. John Milloy:** So funding did not—Kevin, do you want to—

**Mr. Kevin French:** Yes, that's correct.

**Hon. John Milloy:** I always feel more safe to have Kevin confirm.

**Mr. Rosario Marchese:** Oh, absolutely. It's very good.

So this is an agreement that was signed and the money has never flowed?

**Hon. John Milloy:** That's correct.

**Mr. Rosario Marchese:** And you've been screaming about this for a while now.

**Hon. John Milloy:** Well, as you mentioned, the LMA came forward, which was an approach by the federal government in this area. My understanding is that part of the issue was there was a change in government federally, as you know. So the agreement that was made was made with a previous government.

**Mr. Rosario Marchese:** So this is effectively dead?

**Hon. John Milloy:** Kevin, do you want to—

**Mr. Kevin French:** If I may, I would characterize it as the federal government talked about the provisions through a pan-Canadian approach to the labour market agreement. A number of provinces entered into discussions with the federal government. As the minister mentioned, it was focused on those who are non-EI eligible to ensure that we can provide services—

**Mr. Rosario Marchese:** Are there discussions about this fund? Is it ongoing? Are there any ongoing discussions between you and them? Where is it at?

**Mr. Kevin French:** We've concluded the labour market agreement, which has, I would say, replaced the labour market partnership agreement that had been concluded.

**Mr. Rosario Marchese:** Okay. So you said you concluded the labour market—

**Mr. Kevin French:** Agreement.

**Mr. Rosario Marchese:** Agreement.

**Mr. Kevin French:** In February 2008.

**Mr. Rosario Marchese:** Okay, let me understand this. This program—the question around which I was asking—never went through because it was negotiated with the previous government? So no money has ever flowed?

**Hon. John Milloy:** Yes. There was an agreement made between Premier McGuinty and Prime Minister Martin, which—and again, I'll look to Kevin for confirmation—eventually ended up in the labour market development agreement going through and the transfer of federal programs.

As an adjunct to that was the labour market partnership agreement, which was a fund of money to address some other training needs and other needs.

I have to confess, Mr. Marchese, and I'm not trying to avoid the question, that a lot of this happened, of course, before I was minister, in the sense there were discussions between the federal government and the province about moving forward with the labour market partnership agreement. I don't have all the details of those negotiations but, in the end, that funding never flowed. A new government came to power in Ottawa, and what we're looking forward to is that labour market agreement.

**Mr. Rosario Marchese:** Right. So that money, had we had it, would have gone into expansion and enhancement of apprenticeship, correct? It would have gone into labour market integration of recent immigrants, literacy and essential skills? That money would have gone into these areas and it's not going there. Is that my understanding?

**Hon. John Milloy:** Well, yes. The funding never flowed under the agreement.

**Mr. Rosario Marchese:** All right. Do we leave it, Mr. Chair? Is that—

**The Chair (Mr. Tim Hudak):** No, no. You finish your time. There's still 21 minutes until the vote.

**Mr. Rosario Marchese:** Oh, I see. It's half an hour.

**The Chair (Mr. Tim Hudak):** Yes, it's a half-hour bell.

**Mr. Rosario Marchese:** I thought you said we had five minutes.

**The Chair (Mr. Tim Hudak):** Yes, we'll stop the committee within five minutes before the vote.

**Mr. Rosario Marchese:** On apprenticeships, according to the ministry, approximately 110,000 apprentices are currently learning a trade. Mr. French is saying yes.

**Hon. John Milloy:** Yes, yes.

**Mr. Rosario Marchese:** This government reports that apprenticeships in the skilled trades have grown by more than 25% over the past four years.

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** You both are nodding, so that's good.

Is it possible to break down how that growth is calculated, including the money spent?

**Hon. John Milloy:** Yes. We can get you that information.

**Mr. Rosario Marchese:** As part of the skills to jobs plan announced by this government, \$75 million over three years was committed to expand apprenticeship, with the goal of reaching 32,500 new registrants annually. That's an increase of 25%. Was this commitment new money?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** It's good when you both nod at the same time because otherwise, it would be complicated. You should be careful, Mr. French. How much of this money will actually be spent in 2008-09?

**Hon. John Milloy:** I'll refer to Mr. French for that breakdown.

**Mr. Kevin French:** We can provide a detailed breakdown of the increase that is happening this year. It's—

**Mr. Rosario Marchese:** It's okay. If we don't have that readily available, I don't mind reading it another day at a reasonable time. How long do you think it might take to get some of these answers?

**Mr. Kevin French:** We can do that in short order.

**Mr. Rosario Marchese:** A couple of days, a week, I would think?

**Hon. John Milloy:** You should know that people were working through the lunch hour to start to poke at some of your questions.

**Mr. Rosario Marchese:** I wouldn't want to be in their position necessarily.

What portion of this money is federal funding, if any?

**Hon. John Milloy:** Again—and I'll look to Mr. French to confirm this—I think we're getting back into the exchange that we had earlier, in the sense that we receive money from the Ministry of Finance under these programs. So, as we noted, the Ministry of Finance has certain arrangements with the federal government, in terms of transfers. We do not receive any money from the federal government directly for this. Is that correct?

**Mr. Kevin French:** That's correct.

**Mr. Rosario Marchese:** In November 2005, your government introduced an apprenticeship for truck drivers. Is it possible to list what other new apprenticeships this government has introduced since then?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** If you don't mind, could you give us the whole list?

**Hon. John Milloy:** Certainly.

**Mr. Rosario Marchese:** It's not available on-line anywhere, is it?

**Mr. Kevin French:** No, it wouldn't be listed that way. That would be correct.

**Mr. Rosario Marchese:** Okay, that's great.

A recent report by the Construction Sector Council showed that even though more Ontario workers are registering for apprenticeships, the rate of completion is declining, and, Minister, you made mention of that in your initial remarks. According to construction apprenticeship program data supplied to the Construction Sector Council from your ministry, there has been a 7.8% increase in registration since 2004; over the same period, there was a 9.6% decrease in completions. I know that we like to talk about registration—it makes sense—but what is being done to ensure that those registered in apprenticeship programs in Ontario are actually completing them?

**Hon. John Milloy:** Actually, Kevin, do you want to comment on the figures, then I can pick up? Mr. Marchese had the pleasure of hearing me go on for 19 minutes about this the other day, as a few of my staff have told me that's how long I went on.

I'm very happy to talk about the plans for apprenticeships. One of the overarching issues is completion. It's also the fact that—I'm being very forthright here—we don't have access to all the types of statistics that we need, in terms of bringing forward strategies. Part of the new approach with the college of trades is to have a

mechanism that would give us a more fulsome list of statistics.

Again, I can ask Mr. French to talk about the numbers you just gave and maybe some of the immediate policies, and I can comment too, if you'd like.

**Mr. Rosario Marchese:** If you want to comment on the numbers, whether they're accurate or not, that would be fine, but mostly on the issue of completion, and whether you have a plan—

**Mr. Kevin French:** As the minister indicates and the budget indicates, as we look at growth in apprenticeship for registrations—and your number of 32,500 by 2012 was correct—part of looking at that growth strategy will be increasing completion rates and making sure that the completion rates are going up.

**Mr. Rosario Marchese:** And my question is, what's the plan to do that?

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**Mr. Kevin French:** As the minister indicated, we have an increase in resources to increase the size of the apprenticeship system and we will be looking at completion rates.

**Hon. John Milloy:** Part of the idea of the college of trades is to have a forum that can more readily deliver the best advice from the sectors on how to move forward, in terms of completion rates.

**Mr. Rosario Marchese:** Of course. I'm on the same page with everyone else here; we want them to complete their programs. The question is, what are we doing? If you've got a mechanism or a plan, I'd love to know about it, if it's concrete.

**Hon. John Milloy:** Obviously, issues like the apprenticeship tax credit, resources we're using to help—I spoke a bit about it this morning—in terms of the training infrastructure all contribute indirectly to keeping people in it.

**Mr. Rosario Marchese:** I have some questions for you after, on the apprenticeship training tax credit, because I'm not sure that's a good mechanism. But we'll get to that in a minute. The question at the moment is, if there's a mechanism or plan, I'd love to hear about it. How do you keep track of completions, by the way?

**Hon. John Milloy:** Over to Kevin for that.

**Mr. Kevin French:** We'll get back to you.

**Mr. Rosario Marchese:** Is there a mechanism?

**Mr. Kevin French:** We'll get back to you on that.

**Mr. Rosario Marchese:** Okay. Another recent national study shows that those who complete an authentic apprenticeship have an excellent skill set and better wages than others; that is, if they actually complete it. I guess it's a repetition of the same question about what steps have been taken to create placements for these apprenticeships, as opposed to simply registering them. I'm assuming it's part of the same idea about how we get them to complete their placement.

Do we have two minutes?

**The Chair (Mr. Tim Hudak):** You have two minutes on the nose.



**Mr. Rosario Marchese:** Also, as part of the skills-to-jobs plan, \$45 million was announced to be spent over three years for the apprenticeship enhancement fund, to buy essential state-of-the-art equipment. The fund is for colleges to update their training facilities; I understand that. Is this announcement, the \$45 million, new money?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Can you please tell us the status of this fund? In terms of allocation, where is it?

**Hon. John Milloy:** Kevin?

**Mr. Kevin French:** In the summer, we issued guidelines to the colleges for the apprenticeship enhancement fund. Colleges responded to that through a call for proposals. They responded in September. We are now going through an evaluation process for that funding and will be in a position shortly to have completed that evaluation.

**Mr. Rosario Marchese:** So really, no money has flowed yet, because you are just responding to those requests.

**Mr. Kevin French:** At this point, the money has not flowed for that particular funding.

**Mr. Rosario Marchese:** Okay, so nothing has flowed yet. There are criteria for receiving money from this fund, right?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Could you send us those criteria?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** And can we get a copy of the agreement that recipient institutions need to sign to get money from the apprenticeship enhancement fund? Is it possible?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Great. Thank you so much.

**The Chair (Mr. Tim Hudak):** Good timing. Thanks, Mr. Marchese. We'll just go for another five minutes and then recess for the vote. We do want to get the committee finished today so the minister and his staff don't have to come back tomorrow. So, to the government members. Mr. Craitor.

**Mr. Kim Craitor:** Minister, a short question, but before I do that, for the record I want to say thank you again. I think it was November 10 when you came down to Niagara and we had that event at Niagara College—it was kind of special too—for the Second Career program. As I said there, it was pretty neat, because the individual who talked about the program was in the program and was sharing a couple of things with us. One was that he went to Merritton High School, which was where I went—I thought that was kind of special; I don't remember him, but we talked for a while afterwards—and he had also, unfortunately, worked at Hayes Dana, where I worked when I was a kid. It was a pleasure listening to him, from his perspective as someone who is in the program and saying, "Hey, it's a good program. I'm really pleased that the government has come forward with that." He was there of his own accord, so that was a really positive thing to hear.

I just want to ask you one short question, and it's about aboriginal students. In my riding, in Fort Erie, for example, we have the Fort Erie Native Friendship Centre, which is a very active centre for aboriginal people. It's no secret that our aboriginal student population faces unique barriers in terms of accessing post-secondary education. Whether it be an issue related to economic barriers or cultural barriers or even the simple fact that they must travel farther to attend classes, we know that aboriginals are traditionally an under-represented and underserved student population. In the Niagara region, I know that we've made great strides, and I mentioned the Fort Erie native centre as one of those, because I'm over there quite a bit. I've seen a concerted effort from the province and our northern post-secondary institutions to reach out to the aboriginal students and to make accessing a higher education an attractive and viable option.

Aboriginal post-secondary education is historically a federal responsibility, and I must tell you I'm concerned by some of the comments that have been made at the federal level and the overall lack of commitment. I'm just wondering—and you may not have time until we come back after the bell—if you could share with this committee what you are doing and what your ministry is doing to assist aboriginal post-secondary education in Ontario and what our plans are, moving forward, in that area.

Do we have time?

**The Chair (Mr. Tim Hudak):** Yes, you do, actually. I assume this is probably a three-minute answer at the maximum.

**Hon. John Milloy:** Sure. You know I'm a man of few words, Mr. Chair.

I appreciate the question. When you're talking about aboriginal education, it's a bit of a conundrum, because we speak about wanting to have the overall population at its best, that everyone have access to training and education. Those individuals who look at demographics realize that over the longer term our population is getting older, and if we want to increase the workforce, we have to reach out to, quite frankly, under-represented groups and bring them in, because that's where the wave is.

In the aboriginal community, one of the youngest communities, you're seeing tremendous growth amongst young people that you're not seeing in other areas. At the same time, it's a group that's not represented to the same extent in terms of our colleges and universities. We have a situation where we literally have a pool of individuals who we need to be at their best, and yet they're not being represented to the degree they should be in our colleges and universities as well as skilled trades.

So one of the things that we've done is put together a strategy to support aboriginal students in our colleges and universities as well as training. In 2007-08, we invested \$24.1 million for aboriginal post-secondary education and training. Just to give you a little bit of a breakdown, we support aboriginal students at 37 of 43 post-secondary institutions through the aboriginal education and training strategy and also the access to opportunities strategy. One

is a more recent program; one has been around for a little bit longer. At the same time, we support eight aboriginal institutions for recognized post-secondary programming. These institutions work in partnership with colleges and universities and offer a program at the institution itself, but as I say, it's associated with a college or university.

One that certainly made the news earlier this year was the First Nations Technical Institute in the eastern part of Ontario, near Belleville. You mentioned the federal government, and that was actually a bit of a disappointment on our part. The federal government had been one of the funders, as well as the province, and they indicated that they were in fact going to be pulling out \$1.5 million from FNTI, as it's known. Mr. Marchese makes an appearance in this story. I remember one day early on you passed on a letter to me from the head of FNTI to talk about the plight they were facing, and we were able to work with FNTI and give them \$1.5 million, and we continue to work with them to put them on a stronger financial footing. But the disappointment—

**The Chair (Mr. Tim Hudak):** Minister, let's leave it at that point. We're going to recess now. The committee will resume immediately after the vote.

*The committee recessed from 1639 to 1648.*

**The Chair (Mr. Tim Hudak):** I call the committee back into session. There are 13 minutes and 50 seconds left in the government's time. Mr. Craitor, you had the floor, or if McNeely has some questions.

**Mr. Kim Craitor:** Chair, I think the minister was still answering my question.

**The Chair (Mr. Tim Hudak):** Do you have anything further, Minister, on Mr. Craitor's question?

**Hon. John Milloy:** Yes. As I said, it's been a real priority, in terms of increasing the number of aboriginal students in our post-secondary institutions. They're an underrepresented group, and ironically, they're a young part of the population that, quite frankly, we need to be participating fully.

I spoke about some of the funding and some of the programs that are available. As I mentioned, the aboriginal education and training strategy—it's known affectionately as the AET strategy—is one of those that has actually been around our ministry for some time—since 1991-92. It provides funding, \$8.1 million, for a variety of sources, but one of them, and I'll just speak about it for a minute and then we can perhaps move on, is to post-secondary institutions—to universities and colleges—to help support students as they come forward. I think studies have shown that oftentimes, if students can have support early on and throughout their programs, they can feel much more at home in a setting and find success. Some of the funding from AETS goes to providing services such as counsellors, support services, curriculum development and funding to offset the costs of delivering aboriginal programming.

I've had an opportunity to tour almost every post-secondary institution, and I've seen a number of different examples of the types of supports that are in place—some of them more informal, some of them more formal—for

aboriginal students, but they're really geared to offering that welcoming feeling, so that someone who is perhaps far away from home is made to feel a part of a community, part of the family of the college and university, and move forward.

Certainly we're going to continue to work with all those institutions, our colleges and universities, as well as the eight aboriginal institutions, not only to ensure that the participation rate amongst aboriginal students increases, but also to ensure that aboriginal students are completing their programs and receiving that support moving through.

**The Chair (Mr. Tim Hudak):** You've got about 11½ minutes left. Mr. McNeely.

**Mr. Phil McNeely:** Thank you, Minister, for being here in front of this committee. Last summer, we had an excellent announcement in my riding of Ottawa-Orléans for the francophone community.

About 50% of the people involved in the construction industry in the Ottawa area—because of the large francophone population from Prescott and Russell, and Ottawa-Orléans and Ottawa-Vanier—are francophones. One of the issues for the francophone community was having training in their language in the skills involving the construction industry.

We carried out a study with the community. We had Ottawa University, Carleton, Algonquin, La Cité collégiale, some of the high schools and the trades groups involved in a one-day summit meeting. One of the issues that came out was that we were in need of facilities in our area for this training, so I was very pleased when the announcement was made for \$6.7 million from your ministry to La Cité collégiale.

They negotiated successfully with the city for servicing and for the land for this facility. They have good interest from some of the French contractors and other contractors from the area to supply funds. That program is ongoing. They've got their land and the servicing. They're in the process now of hiring the consultant to do the architectural and engineering work which will be required. With 120,000 people in Ottawa-Orléans without a college, it was excellent news for us, and it will be our first post-secondary education facility.

We were fortunate enough to get some of the distance learning. That facility was started about a year ago now, and it's working quite well. That gives us a little bit of post-secondary education, but the facility with us, La Cité collégiale—they're waiting for matching dollars now from the federal government. We haven't heard where they are with that.

I'd just like to ask you how the dollars were used across the province to increase the facilities and how the choices were made. We were very fortunate to be one of the selected sites, in Ottawa-Orléans.

**The Chair (Mr. Tim Hudak):** Just to quickly interrupt again, we have a 30-minute bell for an adjournment-of-the-House motion, so I will let us proceed until about five minutes before the bell, and again, we'll have to recess at that point and return. Minister.



**Hon. John Milloy:** Great. I want to thank you, Mr. McNeely, for that question. I also want to thank you for the strong advocacy for the project in your riding. I think I'd be understating the fact if I said that you were relentless, and as I believe I joked on the day, the fact that you sat behind me—you never let me forget about that project. Not only did La Cité have a very strong champion in you here at Queen's Park, but it was also an excellent project which met a lot of the needs in the francophone community and was part of a larger package of projects that went forward that were announced as part of the March budget.

I often point out that when we think of education, especially the way Hollywood always portrays it, it's always about the inspiring teacher or the wonderful classroom experience, and that is crucial. At the same time, there is a bricks-and-mortar element to post-secondary education, to all forms of education. We have to make sure that students are taught in facilities which are up to date, which are energy-efficient, which are safe—and the purchase of equipment. That's part of what we're talking about in terms of skills training: that it's up-to-date equipment and that they're training on relevant equipment for the sorts of things they're going to face in the workforce.

As part of the skills to jobs action plan, we invested \$190 million at 12 different colleges across the province to increase space and address equipment shortages, particularly in the area of expanding skills training. That's what we wanted to do. I'm pleased to announce that this investment created over 13,000 new spaces at our colleges in terms of skills training, and approximately 4,500 of them were apprenticeship spaces.

You asked about the rationale behind the funding to specific colleges. As you know, we maintain ongoing relationships with all of our post-secondary institutions in terms of their capital needs. I think in the course of this estimates I've talked about how we're having a much more systemized approach right now with our colleges and universities and working with them, so that's moving forward. But in terms of this, successful projects had to meet one or more of the following criteria which address both the academic side and the capital side.

First, the project that came forward had to increase and expand opportunities for students, primarily in the area of apprenticeships and skilled trades, and also in college certificate and diploma activity. There had to be flexibility of the program to be offered in expanding or creating pathways between apprenticeships, skills, trades and college programming, responding to high-priority sectors and needs of the economy, especially in the areas with identified skills shortages. Responsiveness to community economic or skills and training needs and the extent of community and industry support is another factor we looked at. Expected non-government funding contribution is another part of what we examine—links between the proposal and partnerships with industry, school boards, local municipalities and other post-secondary education providers. Another aspect we looked at was whether the project increased space, whether it

leveraged enhancements to existing space, reduced deferred maintenance and addressed energy efficiency issues. Finally, we looked at projects that supported development in regions experiencing economic challenges.

These were some of the criteria that came forward.

I'd just point out that besides this specific fund of \$190 million that went to colleges for skills development, there were also announcements over the past year in terms of deferred maintenance or "campus renewal," if you want to use that term. Again, this funding went to our colleges and universities to help them to upgrade existing facilities and make sure they're up to scratch.

As I think, Mr. McNeely, you of all people would know, with your background and many of the issues that you're interested in, in giving money for deferred maintenance, you often can upgrade facilities and save on operating costs when it comes to things like energy efficiency and environmental controls. I know many of the college and university presidents have expressed appreciation about the fact that deferred maintenance, although in one sense one time only, has allowed them to reduce some of their operating costs.

**1700**

At the same time, we also worked with the university sector and identified \$264 million for strategic capital projects with clear links to economic growth and competitiveness, and I think members are aware of a number of them: \$45 million for Ryerson University's student learning centre, very nearby to Queen's Park; \$40 million for the University of Windsor's centre for engineering innovation; \$33.5 million for Brock University's Niagara health and biosciences research complex; \$20 million for the centre of excellence for French language and bilingual post-secondary education at York University's Glendon campus, which would touch a bit upon your community, as it's of interest to francophone students to pursue that; \$18 million for the Nipissing University and Canadore College e-learning resource centre—again, I had a chance to visit their facility there, essentially their library and resource centre. They were able to build a new facility. One of the interesting aspects of that particular project is that it represents a partnership between Nipissing and Canadore. They're both on the same campus and students are able to access it from both the college and the university.

There's also \$16.5 million for the McMaster University-Mohawk College bachelor of technology partnership, which I mentioned this morning. It's another wonderful partnership, where students receive applied learning at the college, as well as the academic side of it from McMaster University. I'm told repeatedly that graduates of that program are snapped up right away and that it's a very popular program and one that's very much in line with the economic priorities of the province.

**The Chair (Mr. Tim Hudak):** About a minute left.

**Mr. Lou Rinaldi:** I think, Mr. Chair, in light of the time, I do have a question but it's—

**The Chair (Mr. Tim Hudak):** Okay, you'll get another round.

Again, we will recess with about five minutes left. There are still 20 minutes for the bells. We have about 58 minutes remaining in the time. Giving a bit of time for the vote and coming back, we had an agreement that it was about 17 minutes each. Is that all right? All right. Then this is the last round of 17 minutes each, to the official opposition. Mr. Wilson.

**Mr. Jim Wilson:** Minister, I just want to finish off this letter from Kelly Ellis, my constituent in Collingwood. I circulated it to you and to members of the committee. I don't think she inadvertently missed the deadlines. I think she put her application in on time. But she thinks your ministry, because of summer holidays and that, might have missed her application—and because she already started the program. So I'll just read it into the record.

As you note in the first sentence, she was laid off on April 29, 2008, and in May she started the process to apply for the Second Career program. Just near the bottom, it says:

“School started Tuesday September 2, 2008—I did not have formal approval—” for the program—“I contacted my caseworker (through VPI) who in turn contacted the ministry on more than a couple occasions—nothing;

“I finally received word on Wednesday October 8, 2008, that I was declined because I did not have an exact date to offer and had already started the program. Their assumption is that I started therefore I must be able to fund it myself. I tried to explain the situation (the money spent was the money I agreed to spend as my own contribution to my education and also that time had run out—(school had begun)—they were quite focused on the fact”—they, I guess, are the bureaucrats—“I had started already;

“I was not prepared to lose my money, nor was I prepared to have to wait until next year to begin my course—I'm 49 years old and not wanting to waste any more time;

“I have no money coming into my household as of September—as stated previously I was laid off work—EI ended after the first week of September—I have two teenage children dependent on me; my husband and I have been separated for a number of years—we share custody of our children;

“Should I be allowed to continue my education through this government program everyone wins—I win because I'm able to get this education and am almost guaranteed a job afterwards—my community (Collingwood) wins because this program is badly needed and I'll be able to help any number of children/youth in our area—and the system (government) wins in that I'll not be reliant on government funding or assistance after I've received my diploma.”

By the way, she's going for her diploma in the child and youth worker program.

“I'm asking for the Ontario government, or more specifically the Ministry of Training, Colleges and Universities to look outside the box—see the people

you're working with and what they're able to accomplish. I greatly appreciate the fact that we have these programs available in the first place, I truly am. I am hoping that I will be able to take advantage of it and I know I will be able to do a lot of good as a result of it, so please help me to do just that.”

Minister, given that you have such a low uptake on this program to date, could you please look into this on behalf of my constituent Kelly Ellis and have someone give her a call from your ministry? Her phone number is provided in the letter.

The next one I have, just very quickly, is from Arnold Radford, also from Utopia in my riding. I don't think I've given you a copy of this, but I will:

“My wife received funding from Service Canada, via a Careers Canada contact. This was for an aesthetic school in Barrie. The school is called Rinaldi College. She has a copy of the finance contract from EI, and Rinaldi College is listed as the recipient of all of the funds. We have a receipt from the college”—and he attaches the receipt for the full amount. Private career colleges is the topic here.

“My wife completed two thirds of the curriculum in November 2006, but had to leave for maternity. The college was given written notice that she needed to leave. It was agreed that the last module be completed, when it was offered by the college and could be accommodated by my wife and child's schedule.

“This college is trying to force us to pay them \$1,500 for a module they have been paid on. A couple of months back, they cited they could do this based on ‘Ministry of Training’ guidelines. I felt that if the federal government at the time, gave all this money to Rinaldi, who they approved, then Rinaldi should be listed on your site ... but it is not. The director is using your ministry as a tool to try to extort us. I thought best to contact, where I can get some action on a serious issue.

“This college received federal money, now we are being exhorted to pay money to a school who is not listed on your site. My wife was grading high 90s and she signed on to do well and complete, or would have to give back the training money. After the extortion attempt today”—and this is dated October 2 of this year—“when we had to ‘come in’ to the college, I am not comfortable with my wife attending there. Please help us as we have no money to pay anyone anything, especially under duress. This is a serious matter, we appreciate your help. Please contact me for details.

“Arnold Radford”—and his phone numbers are there. Apparently he has filed a formal complaint with the college. We heard from him a few days ago, and he hadn't heard anything at all. He's been trying to go through the process and he's kind of stuck. So if you could have someone in your ministry look at that, I'd appreciate it.

**Hon. John Milloy:** Certainly, I'd be pleased to look into all those cases.

**Mr. Jim Wilson:** I'm just going to hand the floor over to my colleague from Haliburton-Kawartha Lakes-Brock.



**The Chair (Mr. Tim Hudak):** Ms. Scott, there's about 12 minutes on your clock. We'll probably stop a bit early, though, and you can resume.

**Ms. Laurie Scott:** I'll try to ask questions as quickly as possible.

Thank you, Minister again for being here, in front of estimates with us today.

Your ministry briefing book indicated that the total new apprenticeship registrations in 2007-08 are 26,000. Can you tell us what percentage of those registrations will be getting their on-site training employment—so not just registered in class. We're asking about the on-site training.

**Hon. John Milloy:** Sure. I'm going to ask an official to come forward, or do you want to table that question?

**Ms. Laurie Scott:** Whatever they would prefer. I don't want them to take too long.

My other part of that: I'm hoping that the ministry does keep track of would-be apprentices looking to get their hands-on training, because that's the big bottleneck that we've certainly been hearing from all our communities. You know I introduced private member's legislation to change the ratios to one to one for some of the trades to help with that bottleneck.

Do you guys have the information there?

**Hon. John Milloy:** We'll endeavour to get it.

**Ms. Laurie Scott:** Okay, I'll ask to have it tabled.

Do you know if you have targets for the new apprentices to be getting the on-the-job training? When you mention in the Legislature on the record that there are 50,000 more apprentices in the province of Ontario, we're just wondering how that is broken down. Have you broken it down? Is it just that they've registered for class—or there's a certain percentage that are actually on-site getting that part of their apprenticeship training? Do you have targets?

**Hon. John Milloy:** Yes.

**Ms. Laurie Scott:** Your ministry does have targets? You can give me a percentage or something if you don't have the actual number.

**Hon. John Milloy:** This is Patti Redmond—

**Ms. Patti Redmond:** I'm Patti Redmond. I'm the acting assistant deputy minister of the strategic policy and programs division.

When an apprentice is registered, in many cases they would actually start their on-the-job training first, and then they would be scheduled for in-school. So the registration takes place between the employer and the apprentice, and the ministry is involved with that. So at any one point in time, apprentices are given release from their on-the-job training in order to go to the in-school training portion of it. It can vary trade by trade, but in general it is both on the job and the in-school portion. That's what we call a registration of an apprentice.

1710

**Ms. Laurie Scott:** So you're actually tracking how many are in the class and how many are on the job, like if there's a coordination. What we're hearing is they're getting in the class; they can't get on-the-job training.

You're saying that they're matched. When they come in they could come right from the on-the-job training and into the classroom?

**Ms. Patti Redmond:** Generally, obviously, because, if I understand your question, the in-school training is scheduled in order to be able to have the classroom sizes that are appropriate, given the individual. They are given a release from work in order to attend the in-school portion of the training.

In terms of your question on tracking, obviously we work with the training delivery agents. They schedule that in-school portion depending on the numbers in their particular community, and obviously it's going to vary, training delivery agent by training delivery agent, in terms of when they are actually offering the training. The ministry does work with them in terms of that, but they are the ones that actually do the scheduling.

**Ms. Laurie Scott:** So anyone that's applying for an apprenticeship program would already have someone to give them on-the-job training? Would they already be paired up, pretty much?

**Ms. Patti Redmond:** You do not access the in-school portion unless you are a registered apprentice; in other words, there is an employer that has agreed to take you on as an apprentice. The ministry does offer pre-apprenticeship programs for individuals to help support them to get into that registration, so there is some school training associated with that, but the actual in-school portion of apprenticeship has to be with a registered apprentice.

**Ms. Laurie Scott:** Obviously there are wait-lists; I know there are in my communities. Some of my young people wait years to get into the programs. Do you have a wait-list or do you know how many young people are out there applying to be apprentices but they can't get the on-the-job training to get into the classroom?

**Hon. John Milloy:** Again, and I'll defer to the expertise of Ms. Redmond, the apprentice starts with an employer. In a sense, the employer has indentured that apprentice and then they follow through both on-the-job training and in-classroom training, so I'm not sure of your question. I'm getting a little confused by your question in the sense of waiting lists, because there may be young people who are looking for an apprenticeship spot, looking to become indentured in their community, as you point out, and so in a sense there would be, if you want to call it, a waiting list because they're looking for that position. But there's not a waiting list in the sense that you go and sign up and say, "I want to be in an apprenticeship and when the number comes up I get to become an apprentice." You have to form that relationship with an employer and go and say, "I'd like to be an apprentice," and the agreement's made.

**Ms. Laurie Scott:** And that's what we're saying, that there is the bottleneck. They can't get in with an employer, whoever's training them, in order to get on this apprentice program to get into the classroom. That's why we're saying the ratios are different. So if I have a lot of young people waiting to become apprentices, they can't get in to the employer end of it. That's where the bottle-

neck is. You have the classes on, but they can't get in to that side. I have them waiting years before they can get in to an employer, whether through a union hall or a private employer. Do you know what I'm saying? That's why the ratios—

**Hon. John Milloy:** No. I understand what you're saying; I'm just saying that the classroom part of the exercises is not separate, it's all one exercise where you go and present yourself to an employer and are hired on—"indentured" is the term that's used—and then you follow a training regime which sees you in classroom-based training as well as on-the-job training. Yes, there may be—you've brought examples of individuals who want to pursue an apprenticeship and can't find an employer to take them on.

**Ms. Laurie Scott:** Exactly. That's our skilled trades shortage and that's what we're trying to address. But I'll move on, since we're short of time.

You announced \$25 million earlier this year for union employer training centres. Could you tell me the application process that was filled out for the various centres, how they applied for that funding, for that \$25 million?

**Hon. John Milloy:** Sure. I actually went through some of it this morning in my opening remarks. I'm just looking at who's the—yes, we can provide—

**Ms. Laurie Scott:** Was there an application form?

**Hon. John Milloy:** I believe your colleague asked for that material and it may be part of the package that we tabled.

**Ms. Laurie Scott:** Okay, so you're going to table how the applications—

**Hon. John Milloy:** The skills training infrastructure program guidelines and requirements. It was tabled as part of it coming forward.

**Ms. Laurie Scott:** Okay, thank you. I'm sorry I wasn't here this morning.

One of your generous friends to the party, the president of the International Brotherhood of Electrical Workers, John Grimshaw, was quite attacking in a press release that said that the members of the Ontario Electrical League have no interest in seeing apprentices gain their journeyman status. That was in relation to when I'd brought the private member's bill forward for the one-to-one ratios. Do you agree with that statement from the Ontario Electrical League that they have no interest in seeing apprenticeships gain their journeyman status?

**Hon. John Milloy:** I think the issue—and I had a chance to comment on this last week. I think everybody involved in this—you're speaking particularly of electricians, but I think in all the skilled trades. In all the perspectives that come forward, they want to see young people be attracted to the trade, they want to make sure that young people are properly trained, and they want to make sure that they complete the trade and that there's work for them at the end. The issue of ratios involves all those factors. It involves a student-teacher relationship, it involves making sure that there's proper guidance for the individual, it involves making sure that the apprentice is

not exploited, that you don't have situations where someone brings in tons and tons of apprentices and—

**Ms. Laurie Scott:** So you don't really agree—

**The Chair (Mr. Tim Hudak):** You know what, folks? I'm going to pause at this point and we'll recess committee. When we come back, Ms. Scott, you'll have just under three minutes.

**Ms. Laurie Scott:** Okay.

**The Chair (Mr. Tim Hudak):** We're recessed until right after the vote.

*The committee recessed from 1716 to 1725.*

**The Chair (Mr. Tim Hudak):** We are back in session. The official opposition has two minutes and 44 seconds.

**Ms. Laurie Scott:** Okay. I'll talk even faster.

Before the break, Minister, you said you believe that all groups want to see success. So you really disagree with Mr. Grimshaw, do you?

**Hon. John Milloy:** Disagree or—I'm sorry?

**Ms. Laurie Scott:** I read you the quote. He said that he has no interest in seeing apprentices gain their journeyman status. I asked you if you agree with that. You said you agree that all groups want to see success. So you don't agree with Mr. Grimshaw.

**Hon. John Milloy:** The particular quote and the context, etc., I can't comment on, but I will say that I believe all groups are interested in seeing young people come to the profession, completing and receiving proper training and at the end there's a job. I think there are different perspectives on the issue. The apprenticeship program, as you know, is governed by a system of receiving the best advice from the sector itself, so I think everyone who comes forward with a perspective comes forward wanting to see the apprenticeship system succeed, and there are different perspectives. That's why we look for the best advice.

**Ms. Laurie Scott:** Mr. Grimshaw also said that the apprenticeship system in Ontario is working. Do you agree with that?

**Hon. John Milloy:** Yes, I believe the apprenticeship system is working. I also believe, though, that it can be improved and enhanced, which is why, based on the work begun by Mr. Armstrong—and I had a chance to speak about it earlier this week—we're looking at a new approach which is going to enhance the system, while still keeping in mind the principle of receiving the best advice from the industry.

**Ms. Laurie Scott:** Right. You've stated over and over again that there's a need to reform and enhance the system, but you agree that the apprenticeship system is working. Mr. Armstrong was not asked to look at the apprenticeship, by the way. His report did not look at the apprenticeship ratio.

**Hon. John Milloy:** No. Mr. Armstrong's report does mention apprenticeship ratios. What Mr. Armstrong concluded is that to pull compulsory certification out as one issue was perhaps not the best way to move forward, because overall there were improvements that could be made to the entire system. There was also the fact, which



I think he rightly pointed out, that different aspects of the system are connected to other aspects of the system. If you want to talk about compulsory certification, you also need to talk about issues around enforcement. You need to talk around issues of data collection, on which we've had a little bit of a discussion here. You have to look at issues around ratios. There is a whole range of issues, and he talked about enhancing the system overall. That being said, I think the system as it exists right now has had a great deal of success and serves us well. Could it be made better? Absolutely.

**Ms. Laurie Scott:** We'd like to see the apprenticeship system grow, and that's why we'd like the ratios changed.

**Mr. Tim Hudak:** Ms. Scott, I'm sorry, but the time has expired.

The third party has 17 minutes. Mr. Marchese.

**Mr. Rosario Marchese:** I just want to congratulate those simultaneous translators there. I don't know how they do it because I often see people reading really quickly and I don't know how they keep up. I just don't know how they do that.

**Mr. Tim Hudak:** Do you want to call them to the front?

**Mr. Rosario Marchese:** They are good. Why do I say they're good? Because, as a French-speaking person, I know how tough it is just to do regular stuff, let alone simultaneously translating for us as we speed by these things. Congratulations.

*Interjection.*

**Mr. Rosario Marchese:** Unbelievable.

On the classroom fees, Minister, before the election of 2003, Dalton McGuinty promised to scrap the classroom fees for apprentices, citing the belief that this fee was a disincentive to potential apprentices. Five years and another election later, the classroom fees for apprenticeship students still exist. The fees average, as you remember, \$400 a session, and in some cases apprentices take five in-class sessions, which means they could be paying up to \$2,000. Do you have any plans to get rid of that fee, by any chance?

1730

**Hon. John Milloy:** I could ask one of the officials to provide you with any technical background on the fee. But just to address it, broadly speaking, we've seen, and we've had a chance to discuss today, great success in terms of the increase in the number of people coming forward to be apprentices, and we're going to continue to work with the system and adopt strategies to encourage more people and make sure they're properly trained and move through.

**Mr. Rosario Marchese:** Of course. But it was a promise the Premier had made, and I'm just wondering whether you intend to keep that promise or whether you're just moving on.

**Hon. John Milloy:** I'm not familiar with all the details of what you're referencing, but as I say, we're going to continue to enhance the apprenticeship system and

look at the strategies to move people into it and move through.

**Mr. Rosario Marchese:** I appreciate that. It's just that Dalton, in 2003, said he was going to scrap those fees. He declared, and we agreed with him, that that fee is a disincentive to potential apprentices. I was just wondering whether you think that's a disincentive as well.

**Hon. John Milloy:** I'm not familiar with the quotation or the political part of your question. Again, in terms of the technical side, we have been impressed with the number of new registrants who have come forward.

**Mr. Rosario Marchese:** I understand.

**Hon. John Milloy:** And we're going to keep looking at strategies to attract more young people and make sure they move through.

**Mr. Rosario Marchese:** You were elected in 2003, were you not?

**Hon. John Milloy:** I was.

**Mr. Rosario Marchese:** That was the promise that he made in that election. But it's probably a small issue; you're quite right.

**Hon. John Milloy:** I never said it was a small issue. I just said I'm not sure of the exact reference point you're making. There sometimes are differences of opinion when people bring it forward. I don't have the reference point, so we may have to get back to you, if you like. Again, I can't comment.

**Mr. Rosario Marchese:** I'm not sure you can. It was a promise that was made by the Premier. Obviously, that fee is still there, and I was just wondering whether you have plans to remove it or not. You've commented enough on it, I think.

You talk about how proud you are of the apprenticeship training tax credit, because you say it encourages employers to take on more apprentices in the skilled trades, and I appreciate that. For companies that do take advantage of the apprenticeship tax credit, what criteria are required from them to be eligible to receive credit from the government? Maybe Mr. French would want to join us.

**Hon. John Milloy:** Or would it be—

**Mr. Rosario Marchese:** Is it Mr. French?

**Hon. John Milloy:** Or would you prefer us to give you a written response?

**Mr. Rosario Marchese:** Whatever is good for you is fine for me too. Monsieur French? Que pensez-vous? Whatever is practical.

**Mr. Kevin French:** Kevin French, assistant deputy minister, employment and training division.

The apprenticeship tax credit is for those trades that are available through construction, industrial manufacturing, motive power trades and some service trades. The administration of the apprenticeship tax credit is done through the Canada Revenue Agency, and they're administering the employer tax returns and determining eligibility for the apprenticeship tax credit. The Ministry of Finance is responsible for the apprenticeship tax credit legislation and it determines which trades are eligible. The Ministry of Training, Colleges and Universities is

responsible for the registration of apprentices and the promotion of the apprenticeship tax credit to employers who register apprentices in eligible trades.

So there are different parties involved in the apprenticeship tax credit.

**Mr. Rosario Marchese:** Sure. Are there criteria, though? Are there criteria that are required of these employers to be eligible to receive the credit?

**Mr. Kevin French:** Yes, and they're administered by the Canada Revenue Agency, as I had mentioned.

**Mr. Rosario Marchese:** And they establish the criteria, or you, the ministry?

**Mr. Kevin French:** The legislation that would govern the program is done through the Minister of Finance.

**Mr. Rosario Marchese:** The registration is done through them, and the criteria are established by them or by you?

**Mr. Kevin French:** They're done by the Ministry of Finance. It's a program administered—the responsibility for it is with the Ministry of Finance. It's administered through the Canada Revenue Agency.

**Mr. Rosario Marchese:** Right. I think I've got the three levels here. And someone has to establish the criteria by which they're eligible or not. I'm just trying to determine who establishes that. Is it you, the Ministry of Finance or the Canada Revenue Agency?

**Mr. Kevin French:** If I may, it's the Ministry of Finance.

**Mr. Rosario Marchese:** Do you have the criteria?

**Mr. Kevin French:** I don't have the criteria here. I can—

**Mr. Rosario Marchese:** Is it available to us?

**Mr. Kevin French:** Yes.

**Mr. Rosario Marchese:** So we can get that.

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Okay, good.

And in terms of the agreement the companies are asked to sign—I'm assuming there's a contract—finance does this, and maybe we can get a copy from them?

**Mr. Kevin French:** If I may, an employer has up to four years to claim the apprenticeship tax credit and can also file amendments to their tax return. So it's done through the tax system. It's the way the program is administered.

**Mr. Rosario Marchese:** Sure. I understand. That's a different question, though. In terms of the agreement, that is signed with the Ministry of Finance, and there must be a contract or an agreement that they sign that is available, correct? There must be. If we could get hold of any agreement, that would be great.

**Mr. Lou Rinaldi:** Chair, point of order: I think the minister and staff really suggested this is a Ministry of Finance initiative. If the member, Mr. Marchese, requests that from the Ministry of Finance, that would probably be the most appropriate, I would think.

**Mr. Rosario Marchese:** Mr. Rinaldi, it's the ministry that oversees this. When I ask questions, I'm not referred to the Minister of Finance to answer those questions; it's the minister who answers these questions.

**The Chair (Mr. Tim Hudak):** Mr. Marchese has put the question. The minister can respond. If he has a document available, he can bring it forward; if he doesn't, then he can respond accordingly.

**Mr. Rosario Marchese:** It would seem to me, Mr. Rinaldi, that it would be appropriate for them to know what these agreements are, and if they know, we should know too. And if they have a copy, we should get a copy too.

**The Chair (Mr. Tim Hudak):** We don't need to enter into debate. Let's continue with the question of the member and the minister.

**Mr. Rosario Marchese:** Do you know if all the agreements are the same or do they vary from sector to sector?

**Hon. John Milloy:** Why don't we endeavour to get you an answer?

**Mr. Rosario Marchese:** Thank you. And if they are different, maybe we can have different copies to look at.

Do you have any oversight mechanisms for companies taking advantage of the tax credit? And if so, what are they?

**Hon. John Milloy:** Perhaps you want to put these on the record, taking into account the points that have been made that there are limitations on what our ministry can do, because some of this involves other ministries. But we'd certainly be happy to get you as much information as we can.

**Mr. Rosario Marchese:** Okay. What types of training are received by the individuals participating in the apprenticeship? Does that vary from sector to sector or is there a standard?

**Mr. Kevin French:** If I may: The Ministry of Training, Colleges and Universities, through the employment and training consultants, is responsible for ensuring the terms and conditions of the contract of apprenticeship registered under the Trades Qualification and Apprenticeship Act or the training agreement registered under the Apprenticeship and Certification Act are adhered to and advise apprentices and employers or sponsors on contract terms and requirements of the regulations and guidelines specific to their trade, occupation or skill set. Under the TQAA this would include responsibility for ratios and wages. Monitoring can occur at any time of the year and can be formal or informal. I believe that answers your question about the oversight of apprentices who are involved in training.

**Mr. Rosario Marchese:** So the monitoring can be formal or informal?

**Mr. Kevin French:** That's correct.

**Mr. Rosario Marchese:** What does that mean?

**Mr. Kevin French:** That means the ministry staff can check informally through an approach that's—they can check with the individual apprentices in the workplace environment.

1740

**Mr. Rosario Marchese:** Do you think this informal approach sounds like a reasonable oversight? This informal approach doesn't seem to me very effective or efficacious. It doesn't—



**Hon. John Milloy:** Why do you say that? In the sense the approach is—

**Mr. Rosario Marchese:** This informal approach suggests that there isn't something that is systematic, that we don't oversee the contracts on a regular basis in terms of how they're functioning. They may or may not do this individual kind of thing with the apprentice. To me, it doesn't make any sense.

**Hon. John Milloy:** But the basis of the apprenticeship system is both on-the-job and classroom training, and then ending with an exam to demonstrate that you've learned those skills. So there's an experiential element; there's that relationship between the apprentice and the employer. We monitor that but, obviously, the writing of the exam and completing the qualifications and demonstrating the hours of work are what ultimately lead to that certification of being a journey person.

**Mr. Rosario Marchese:** When I get to the example of Dell, we might have a better connection to how this informal mechanism works, or the formal one, for that matter.

As far as I understand, the company receives the credit on the basis of registration, not completion. That's correct?

**Hon. John Milloy:** Yes, it's based on registration.

**Mr. Rosario Marchese:** Not completion?

**Hon. John Milloy:** Again, we'll get you the details on the tax credit as much as we can.

**Mr. Rosario Marchese:** I hope the answer will satisfy what I'm asking; that is, it's based on registration, not completion. Would it be a worthwhile thing to say that you get the full credit if the person goes through, completes the program?

**Hon. John Milloy:** The credit—and again, I'll hand the microphone off to Mr. French—is only available for the first part of the apprenticeship. Is that correct?

**Mr. Kevin French:** The point I would like to emphasize is the fact that it's for training received. The apprentices are receiving both training in an experiential setting and in a school setting.

**Mr. Rosario Marchese:** Right, sure. I understand that very clearly: for the training received. My other question is, the training received to completion? The point is not to completion, but rather whatever training he receives on the basis of half of the time or part of the time or a complete time? The point is, if you register, you get the money. That's what I think it is.

**Hon. John Milloy:** No. Again, I'll look to counsel here from Mr. French. The tax credit is available for the first part of the apprenticeship—correct?—for the first number of years. So someone comes in, enters into the system and works through the system for a number of years, then in the latter part there is no credit. Is that correct?

**Mr. Kevin French:** I'd like to take it up. We would be happy to table the guidelines.

**Mr. Rosario Marchese:** That would be helpful. We'll follow your answer and, presumably, whatever you table will be consistent with what you just said, Minister.

**Hon. John Milloy:** I take it I was correct in saying that in the latter years the credit does not apply?

**Mr. Kevin French:** The credit applies for the first four years, I believe. Employers have up to four years to claim. I'll stop there. I'm not sure I can answer—

**Hon. John Milloy:** Okay, we'll get you clarification, Mr. Marchese, and make sure I'm correct.

**Mr. Rosario Marchese:** I think that would be helpful.

I asked you a question about apprenticeships in general, earlier, about whether or not we keep track of those who have completed apprenticeship. But in terms of the apprenticeship training tax credit, do we keep track of who completes those apprenticeships?

**Hon. John Milloy:** As we said, we'll get you information on the tax credit as much as we can, and take into account the questions you've put forward, and try to respond as best we can to them.

**Mr. Rosario Marchese:** Are there any changes being planned by the ministry with respect to the criteria or eligibility? Or is everything going okay with that?

**Hon. John Milloy:** Again, I go back to my general comments about how we're working to strengthen the system. At the same time, though, we may be treading in water that is best left to my colleague Mr. Duncan, in terms of answering any specific questions on the tax credit. He's the minister responsible for it.

But, again, I go back to the fact that we're generally always trying to develop strategies to enhance the system and, obviously, in terms of the tax credit, my endeavouring to get back to you with information—

**Mr. Rosario Marchese:** I got it; thank you.

**Hon. John Milloy:** We work very closely with the Ministry of Finance.

**Mr. Rosario Marchese:** How does the ministry ensure that a company is not registering the same people repeatedly? Is it possible that some people are applying more than once and then the company gets some money again for the same person? Do we know?

**Hon. John Milloy:** Well, obviously—again, we'll get you information on the credit and how it works. Your question is basically asking whether there are instances out there where people aren't following the rules. And one would hope not. One would hope that people would follow the rules.

**Mr. Rosario Marchese:** I don't know. I'm just asking whether or not—

**Hon. John Milloy:** We'll get you as much information as we can.

**Mr. Rosario Marchese:** Sure. I'm not quite sure whether the—because your answer could be, "No, we don't." I was just asking, is it possible that some people apply more than once? Is it possible? Do you know?

**Hon. John Milloy:** Well, I would hope not. And as I said, we'll get you some additional information on the subject.

**Mr. Rosario Marchese:** Dell received more than \$11 million in tax credits from your government for jobs at an Ottawa-based call centre, and then cut and ran in the late spring, leaving 1,100 employees jobless and without the

necessary skills to compete. From the employees themselves, they've shared the fact that they've had minimal training and that the work they did at the call centre was not a skilled trade by any means. In terms of—

**The Chair (Mr. Tim Hudak):** If you don't mind putting the question. We're just running out of time.

**Mr. Rosario Marchese:** Yes. The reason I asked about oversight earlier was very specific to the Dell problem. What rigorous measures of oversight are in place to hold a company accountable in a situation like that?

**Hon. John Milloy:** Mr. Chair, I'll be very quick.

I disagree very strongly with your characterization. I can certainly share—and I have, in the Legislature during question period—numerous quotes and examples of employers who were anxious to snap up Dell employees because of the skills they had, and Dell employees who were able to take those skills and transfer them forward. I know I've shared in the Legislature, and I'd be happy to table with the committee, the skill sets that were required through the training program and what the training program brought forward.

So I disagree very strongly with your characterization that these individuals were not taught skills; they were. In fact, Mr. Marchese, on a personal level, if you've ever called a call centre for help with a computer—I've always been amazed at the level of skill that someone has, who literally could be thousands of miles away, in terms of addressing my concerns.

**The Chair (Mr. Tim Hudak):** We need to move on and try to stay on schedule. The government now has 17 minutes. We do have another vote happening. I might give advice—you might want to cut your time a little bit short. Then we could do the votes, and that way we don't have to call the minister and his staff back for what could be a formality.

**Mr. Lou Rinaldi:** Chair, just if we can get consent—I certainly agree with you, and if we get all-party consent, I would just wrap up with maybe a minute or so. If we have consent, then we'll allow the minister to say a few words, if he wishes, and then call for the vote.

Chair?

**The Chair (Mr. Tim Hudak):** Oh, sorry, I was just speaking to Mr. Marchese. You just want to—

**Mr. Lou Rinaldi:** I was saying I would just take a minute or so to wrap up and then we'll call for a vote, if we get consensus.

**The Chair (Mr. Tim Hudak):** I see no objections. Go ahead.

**Mr. Lou Rinaldi:** Thank you. Let me just take the opportunity to thank the minister and his staff for being here today and trying, in a condensed version, to answer all the questions. I know they've taken and tabled some questions. I'm sure they'll give the appropriate answers.

Once again, I thank both the minister's staff and the ministry for their commitment and the great work they do in the ministry—and to you, Chair; this concludes another ministry.

Unless the minister has anything to say, we'll just call for a vote.

**Hon. John Milloy:** If I might, Mr. Chair, I'd like to thank you and thank the committee.

I'd also like to very publicly thank the staff at the ministry, from my deputy—acting deputy, as she likes to point out—on down for their work, both in preparation for this committee and now, for the hard part, going through all the various questions that have been put forward and gathering the material. I guess this is one time, as this comes to an end, where being minister is the easy part, because I don't have to go back and spend hours and hours rooting out the various facts and figures and statistics that have been asked for. Folks were even working through the lunch hour to start to pull that together, and we will endeavour to get as much information as possible to the committee. I really do want to thank them for their efforts on my behalf and also on behalf of the committee. Thank you.

**The Chair (Mr. Tim Hudak):** Terrific; well put.

Seeing no further questions, I will now proceed to the vote for the Ministry of Training, Colleges and Universities.

Shall vote 3001 carry? Carried.

Shall vote 3002 carry? Carried.

Shall vote 3003 carry? Carried.

Shall vote 3004 carry? Carried.

Shall the 2008-09 estimates of the Ministry of Training, Colleges and Universities carry? It is carried.

Shall I report the 2008-09 estimates of the Ministry of Training, Colleges and Universities to the House?

*Interjections.*

**The Chair (Mr. Tim Hudak):** I heard “absolutely” and one “yes,” so that will be a “yes,” affirmative.

Let me just say to committee members that our final day of estimates for 2008 will be tomorrow, Wednesday, November 26. The Ministry of Energy will be before the committee beginning at 4 p.m., in this room again. So we will meet again for our last day, Ministry of Energy, 4 to 6 p.m. tomorrow.

To the minister, deputy minister and all the staff from the Ministry of Training, Colleges and Universities who have been here and responding to our questions, we do thank you for your time and efforts in responding to members' queries.

Folks, have yourselves a good evening. We are now adjourned.

*The committee adjourned at 1750.*





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## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 26 November 2008

# Journal des débats (Hansard)

Mercredi 26 novembre 2008

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Ministry of Energy

## Comité permanent des budgets des dépenses

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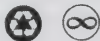
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STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 26 November 2008

Mercredi 26 novembre 2008

*The committee met at 1602 in room 151.*

## MINISTRY OF ENERGY

**The Chair (Mr. Tim Hudak):** Good afternoon. I call the Standing Committee on Estimates into session. Today we're considering the estimates of the Ministry of Energy, which had been selected for a total of seven hours and 30 minutes.

As folks do know, we're at the end of the estimates session. Today, by special motion in the House, is the last day for estimates of 2008. So whatever we get done today we get done, and that will conclude estimates until 2009, when new ministries will be selected.

As you know, Deputy, the ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has assigned someone to work with Jerry Richmond, to my left, in terms of making sure that we have the questions recorded accurately and to get responses back on a timely basis. Feel free to speak with Jerry after the meeting to confirm.

Any questions on procedure before we begin?

**Mr. Peter Tabuns:** Mr. Chair, unfortunately Howard is not able to be here, and I think our staff had asked you if our rotation could be stood down.

**Hon. George Smitherman:** This is the last meeting.

**Mr. Peter Tabuns:** I understand that.

**The Chair (Mr. Tim Hudak):** Why don't we chat after? We'll get the minister started with his 30 minutes, in the interests of time.

**Mr. Peter Tabuns:** Fine.

**The Chair (Mr. Tim Hudak):** And then you and I can chat about procedure and just make sure we're on the same page. Anything else? Okay, we will proceed, folks.

I will now call vote 2901. We'll begin with a statement of not more than 30 minutes by the minister, followed by up to 30 minutes from the official opposition, and we'll see how to treat the last half-hour with the third party and the minister's comments. We should be concluded by 6 p.m. if everybody uses up all of their time.

Minister, welcome back to estimates. The floor is yours. You have 30 minutes.

**Hon. George Smitherman:** Thank you very much, Mr. Chair. When I got the opportunity to head up this new ministry, one of the great sources of excitement,

which regrettably has dissipated in the scheduling matters, was that I thought I would be, in one year, in the position, the trifecta, to do estimates as Minister of Health, estimates as Minister of Energy and estimates as Minister of Infrastructure. Alas, today we're limited to a couple of hours formally related to the Ministry of Energy.

I do want to let you know that since my appointment I'm certainly working in a Ministry of Energy and Infrastructure mindset, but the substantive part of my focus will be on energy.

At this time we're experiencing unprecedented investment in infrastructure renewal which, when combined with the renaissance of our energy system, offers a tsunami of investment opportunities. Each of these comprehensive strategies will create home-grown jobs that stimulate local economies and allow us to plan confidently for tomorrow's challenges rather than simply reacting to today's. All across the landscape of my new ministry are investments in energy, transit, growth planning and government buildings themselves combined to lead our serious effort to tackle climate change. The Ministry of Energy is a drive gear for the government's climate change initiatives.

Much of the groundwork for the efforts that are under way had been laid prior to my arrival, of course. In 2006, my cabinet colleague Dwight Duncan appeared before you as the then Minister of Energy. He outlined then the long-term direction on energy policy, one that would bring stability to the system, renew an aging infrastructure and address our growing demand for power in an environmentally sensitive way.

Since I started as minister in June, I've enjoyed the privilege of travelling to some pretty interesting places. Here at home I've toured many of our core energy assets, like our nuclear and hydroelectric facilities, and around the world I've been learning from energy efficiency leaders, exploring more fully the economic opportunities of the green economy and becoming more familiar with cutting-edge technologies and what will work for Ontario, and this much is clear to me: In 2008, nowhere is leadership and innovation more critical than in Ontario's energy sector. It's essential to our vision for a greener Ontario, one where our environment and our economy work in harmony, where we don't have to choose between our health and our prosperity.

There is no greater example of our power than that related to Niagara Falls, which not only helps to keep

electricity flowing throughout our daily lives, but it's also a rich reminder that Ontario's energy system was built on this abundant renewable resource more than a century ago. While our energy needs have grown and our supply mix has changed at more than 2,000 megawatts, the Sir Adam Beck generating stations continue to meet just about 10% of Ontario's needs most days of the year. This proud history of vision and leadership is essential to Ontario's continued long-term success.

In fact, in light of the steady progress that has been made already, I directed our energy planners, the Ontario Power Authority, to examine ways in which we could raise the bar on our goals, particularly when it comes to renewable energy and conservation.

In 2008, we are in the midst of the most comprehensive overhaul not just to the electricity system and the infrastructure but to the very philosophy of how we will power our homes, our businesses, our communities, indeed our cars, for decades to come. We're moving steadily toward an energy system that is the key to removing carbon from Ontario's economy, one that is integral to our Go Green action plan on climate change and one that will fuel Ontario's economy with cleaner, greener, reliable power for the next 20 years and beyond, as well as supporting a burgeoning green tech sector that will help create opportunities for Ontarians from one end of the province to the other.

We're making significant progress, thanks to the diligent work from across the energy sector: from private entrepreneurs, the OPA, the Ontario Energy Board, the Independent Electricity System Operator, Ontario Power Generation, Hydro One and local distribution companies.

I must also acknowledge the important contributions of our partners, like I mentioned, in the private sector at municipal utilities and in the environmental movement. We're all united in working toward building a strong Ontario.

And I cannot forget the dedicated public servants at the ministry. I'd like to take this opportunity to thank Peter Wallace, the former Deputy Minister of Energy, for his hard work and dedication on this file. Mostly I want to thank him because he's now the deputy minister to the Minister of Finance, and I want him to be attentive to our needs ongoingly. During his tenure at energy, Peter, his assistant deputy ministers and their staff led the effort to turn this new vision into reality.

That important work continues today under the leadership of Saad Rafi, the new Deputy Minister of Energy and Infrastructure. He brings with him a wealth of private and public sector expertise that will be invaluable as he oversees the integration of the two ministries. I'm really confident that Saad will be a strong and dynamic leader for his team as we continue to reshape Ontario's energy system.

One of the first things I did after I took on my new post, on a challenge from Dr. David Suzuki, was to see with my own eyes the green energy efforts of world-leading jurisdictions like Denmark, Spain and Germany. I saw some pretty amazing initiatives that are shrinking

carbon footprints by creating clean, green power, all the while stimulating green sector economies with careers in research and development and jobs in manufacturing, installation and retrofitting.

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In Freiburg, Germany, I visited one neighbourhood where all the homes had solar panels on their roofs and great thinking in their design. That neighbourhood is a net supplier of energy.

I learned how Spain, which operates 15,000 megawatts of wind power, is now moving to complement it with a similar dedication to solar power.

In Denmark, I visited a community of about 7,000 people that meets 100% of its needs locally, from wind and combined heat and power projects fuelled by biomass, geothermal and energy from waste.

I learned about Germany and Spain's feed-in tariff system, an incentive structure that uses government policies and legislative tools to encourage national and regional utilities to adopt renewable energy. It has created a market for green energy and it has created green jobs.

I saw that innovation right here at home too. I was particularly struck with the Ear Falls project, where new technology is being added to an existing hydroelectric site. Here, the Lac Seul First Nation is a partner with Ontario Power Generation. I've come to understand very clearly, when we use words like "capacity building" and the like, how this project will have the effect of providing that First Nation community with a sustainable source of revenue that will substantially enhance their capacity to provide for the needs of their people. This project is currently under construction, and there are several others being promoted by other First Nation and Metis communities, such as adding new technology to better harness water resources on the lower Mattagami.

I just want to take a minute to stress again the real opportunities for innovation that can be unlocked by truly engaging aboriginal communities. Taking these kinds of initiatives is much more likely, in my opinion, to result in success of the kind that can bring renewables to light and provide extraordinary economic benefit and contribution to the circumstances of First Nation and Metis communities.

I also saw innovation at Brookfield's impressive Prince wind farm in Sault Ste. Marie, and at Melancthon too, just last month, when the latest phase of this wind farm established Ontario as the Canadian leader in wind capacity and the Melancthon EcoPower Centre as Canada's largest wind farm. And I saw it at the Ontario Power Generation's Atikokan generating station, where recent test burns of biomass have achieved 100% of the plant's 230-megawatt capacity.

The strength and stability of water and nuclear power provide us with the confidence we need to eliminate coal. Coal-fired electricity is the single largest source of air pollution in Ontario. Our government is committed to eliminating coal as a power source by the end of 2014. The move instantly becomes the single largest climate



change initiative in Canada. Its impact will be equivalent to taking almost seven million cars off Ontario's roads.

In our pursuit to eliminate coal, we've cut this dirty electricity generation by one third. By 2011 we will have cut it by two thirds, and by 2014 we'll be off coal altogether.

We're also asking Ontario Power Generation to develop and implement a strategy to drive down emissions from coal-fired generation in 2009 and 2010, leading toward the 2011 cap. Already, we're showing good progress. Coal output is down 16% in the first nine months of 2008; some of that, of course, is weather-related.

The challenge, however, is that we replace this electricity generation with something else. Ontario has decided on conservation and renewable energy that are backed up by natural gas. I will say more on natural gas generation later, but here I want to point out that it's essential because it does provide electricity on demand in a similar, dispatchable way as coal, but without the same smog-causing sulphur dioxide emissions and lead that existing coal-fired plants are responsible for.

We've come a long way to realizing that vision since our government was first elected in 2003. The ambitions that Ontarians hold for their province—their vision of a cleaner, greener legacy for their children—demand that we constantly raise the bar.

As I mentioned earlier, I've directed the OPA to review a modest portion of the proposed integrated power system plan. We have asked them to specifically review the following:

- the amount and diversity of renewable energy sources in the supply mix;
- the viability of accelerating the achievement of stated conservation targets, including a review of the deployment and utilization of smart meters;
- the improvement of transmission capacity in the orange zones in northern Ontario and other parts of the province that is limiting the development of new renewable energy supply;
- the potential of converting existing coal-fired assets to biomass;
- the availability of distributed generation; and
- the potential for pump storage to contribute to the energy supply mix during peak times.

Further, I also directed the OPA to employ an enhanced process of consultation with First Nation and Metis communities, including the consideration of partnership opportunities in generation and transmission. In fact, what I've said is that the words "consultation" and "duty to consult" are the low bar when it comes to the opportunities for active engagement in partnership with our First Nation communities.

I also want to be clear about what is not up for review during this review. There will be no change in our plan to eliminate coal from our energy supply mix. There will be no change in the plan to maintain Ontario's installed nuclear capacity at about half of our baseload supply. At the heart of that review lie these questions: Have we created the conditions to maximize our full potential?

Are our policies aligned with our ambitions for our economy and for our ecology? Have we yet unlocked the model that will afford the First Nation and Metis communities fuller participation?

We were able to raise these bars and ask these questions because we have a strong foundation. Ontarians enjoy one of the cleanest, greenest energy profiles found anywhere. When leaders from earlier centuries and decades decided that we would build on the strengths of Niagara Falls with investments in nuclear, our trajectory was set. Together, water and nuclear provide us with more than 75% of all the electricity that we used last year in Ontario, and our commitment to ensuring the stability of this foundation is at the very centre of our plans.

As I mentioned earlier, I recently participated in the official opening of Canada's largest wind farm, the Melancthon EcoPower Centre near Shelburne. It isn't just 199.5 megawatts of fuelless power; it ensures that, by the end of the year, Ontario will have more than 950 megawatts of wind power online, nearly double what we had just at the beginning of this year. This is success we can and will build on.

That's why we're working on policy and legislative changes that will be designed to lead the way to send a strong, confident message that Ontario is dedicated to best-in-class programs and best-in-class progress.

All Ontarians will also benefit from the work we've been doing to bring more renewable energy supply online. It is our goal to power the province with more sources of energy that harness—not harm—the earth.

We're also building on the strength of our hydro-electric power with a project that will expand the capacity of Beck generating stations in Niagara Falls. When it's finished, this project will produce an additional 1.6 billion kilowatt hours of clean, renewable electricity a year, or about the equivalent of the power needs of 160,000 homes.

Our innovative renewable energy standard offer program, designed to support small, renewable projects like wind, water, solar and bio-energy, has also been an overwhelming success. In fact, it has been so successful that we see the opportunity to enhance it. The program has been under review because we know that we can make it better and redesign it to fully capture the spirit of entrepreneurship in the renewable sector. This revamped program will be up and running again soon, and I'm excited to see how much more we can do in the future.

Meanwhile, I'm happy to report that there is unprecedented co-operation amongst a variety of our agencies to break down long-standing systemic and regulatory barriers and find bold new solutions to expanding renewable energy. Other ministries are pitching in too. For instance, the Minister of the Environment and the Minister of Municipal Affairs and Housing have embraced the spirit of change that I brought back from Europe and California and are helping to make change happen here in Ontario.

We're also looking at ways to complement our aggressive renewables plan by ensuring that we have do-

mestic manufacturers of products such as wind turbines. I know that there are opportunities to look at the profile of government expenditures to ensure they have the strongest influence on the economy of the province.

As good as a move to renewables is, the best power out there is in the hands and minds of 13 million Ontarians. When I was in California, I learned how that state has achieved flat growth in their per capita energy use since the energy crisis in the 1970s. I think that's a track record worth aspiring to. Using less energy doesn't just reduce the carbon, it doesn't just reduce the bill; it also makes our province more productive, so we have an economic advantage to gain from it as well.

Conservation is the cheapest energy you can buy, and I'm determined to buy lots of it. We've made great investments so far. For instance, smart meters have been installed in two million homes across the province. These devices will empower Ontarians to see the price of electricity and, more importantly, to better manage its use.

Already, we are counting on conservation to absorb 75% of all the demand growth going forward.

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The good news about conservation isn't limited to lower energy use, however. These initiatives are intense drivers of green sector careers in research and development, energy-efficient construction and retrofitting and the homegrown jobs that will be created for manufacturers, assemblers and installers. The progress we have made to date is due to the concerted conservation efforts across the board from Ontarians, from government and energy agency initiatives, to industry and business efforts, residential consumers—everybody who understands that every kilowatt counts.

We've really benefited from having Dr. Suzuki involved in helping to profile these efforts. Independent voices have noticed this. In August, the non-profit Canadian Energy Efficiency Alliance recognized our conservation efforts with an A grade on its annual report. For anyone at home who's wondering, I've never had a chance to earn an A grade through my own academic pursuits. This was Ontario's highest mark ever, and I was really proud to be associated with the efforts of so many that have led to this improvement.

Just because we're doing well doesn't mean we can't do better, for the times dictate greater resolve than ever before. We must raise the bar on how we measure conservation savings to ensure that they are quantifiable and verifiable, and we must more clearly recognize that our local distribution companies enjoy a special powerful relationship with 4.8 million electricity ratepayers, a relationship that dictates that LDCs be more clearly in the driver's seat when it comes to leading conservation and energy efficiency initiatives. That's because the most efficient way to cut Ontario's carbon footprint is to use less electricity and to shift use away from times of peak demand. Conservation and demand management are also the quickest, easiest way to control costs, both for individual users and for the system as a whole.

I'd like to talk a little bit about smart meters. Smart meters will give Ontarians a needed tool to conserve by

overcoming the gap between when power is used and when we see how much we've used. I'm happy to report that more than two million meters have been installed, as I said a second ago, as of today—or perhaps yesterday—putting us well on the record to reaching our goal of province-wide installation by 2010. About 30,000 customers in Newmarket, Milton and Chatham-Kent have already moved to time-of-use prices. Toronto may follow soon.

Smart meters are about more than just enabling time-of-use pricing. By reducing operating costs and driving efficiencies, smart meters can bring about system-wide benefits from which consumers will ultimately benefit. I also believe there is great promise in the ongoing development of smart meter technologies. Our government's primary intent is to increase awareness, but our ultimate hope is that this concept exceeds our expectations. That's why I directed the OPA to review ways to more fully realize the potential of smart meters.

I can't go further without talking about transmission constraints, which is, of course, of particular concern when it comes to green energy. We're already taking action to address these constraints and maximize the potential for new renewable energy. For example, the Bruce-to-Milton transmission project, announced on March 26, 2007, will facilitate the development of a vast renewable power resource from the Bruce Peninsula. This project is moving through approvals, and an environmental assessment should be delivered to the Minister of the Environment before the end of the year.

As I outlined earlier, the OPA's review will look at ways to further improve transmission capacity in parts of the province and frankly to zone in and address the circumstances in the orange zones. These transmission upgrades will not only enhance Ontario's energy security and help clean up our environment but will also stimulate unprecedented economic development in our north and throughout Ontario.

Reliability has always been this government's number one priority. Since October 2003, more than 3,700 megawatts of new supply have been added in Ontario, a mixture of cleaner gas-fired generation, low-emission nuclear power and green renewable energy like wind. That's an increase of more than 10% in terms of province-wide installed capacity. The IESO reports that more than 5,000 megawatts of new supply is expected to come into service over the next 18 months. By 2011, our actions will have helped Ontario add an estimated total of about 10,000 megawatts of new capacity.

On the nuclear front, there is a competitive, transparent nuclear procurement process well under way designed to deliver a new two-unit plant to help ensure we maintain our base load nuclear supply. I want to make it clear again that it's our intent to maintain, not to grow, our reliance on nuclear power. Nuclear has served us well over the years for the many decades, and I believe we've learned a few things in that time to ensure that it will continue to serve us even better into the future.

As you all know, the OPG's Darlington plant has been named as the site for the new two-unit plant. The vendors



are currently putting together detailed bids to build this facility, and those bids are expected in early 2009. A decision on the winning bid is expected in the spring of 2009.

We're using an innovative approach. For the first time, we're using a competitive, commercial process to select our nuclear vendor from leading international companies. This process is fair, it's transparent and it's competitive. I'm confident it will help to ensure that Ontarians get the best deal.

Finally, while nuclear power provides us with steady, reliable power, our strategic plans for gas-fired plants give us the additional flexibility we need to address peak demand. I talked about the benefits of gas-fired generation earlier. New gas-fired generation has come on line in Toronto, and other projects are nearing completion in Sarnia, Brampton and Halton Hills, and procurements are under way for gas-fired plants in the northern York region and the southwest GTA.

The leaders in earlier centuries and decades gave us Niagara Falls and nuclear power, and now the torch is passed to us to build on that legacy—to eliminate coal, to enhance renewables, to stimulate conservation and to collectively meet this test: Will you leave the earth in better shape than when you found her?

I'm proud of how far we've come in terms of our efforts to reshape Ontario's energy system. Looking ahead, we'll continue to search out and encourage innovative ideas and technology that can help us raise that bar on conservation and renewable energy, as well as creating green-collar careers in research and development, energy-efficient construction and retrofitting from manufacturers, assemblers and installers. Our forthcoming policies will enhance certainty for investors and will streamline processes for the task at hand, which has been described as the greatest public policy challenge in history. I'm convinced Ontario can aspire to more when it comes to our energy system, and that we can turn those aspirations into a clean, green reality. It's no more than Ontarians expect, and it's certainly no less than what they deserve.

I thank you for the opportunity to be here today.

**The Chair (Mr. Tim Hudak):** Seven minutes and 12 seconds remaining, Minister.

**Hon. George Smitherman:** I should have talked more like this.

**The Chair (Mr. Tim Hudak):** Thanks, Minister, very much for the opening remarks. We're going to adapt our procedure somewhat. I believe I have all-party consent. We're going to go to the official opposition next for 30 minutes, Minister, and then it will come back to you for 30 minutes. We're standing down the third party's time today, so you have your 30-minute wrap-up and then we will conclude at 5:30 p.m.

Mr. Yakubuski, official opposition, the floor is yours, sir. Half an hour.

**Mr. John Hudak:** Thank you very much, Chair. Thank you to the minister and deputy minister for coming here today.

First of all, I apologize for the fact that these hearings have been delayed for several weeks, and at the cost to the third party, I admit. It was mostly my doing, because I was unable to be here myself, and I do apologize for that. Having said that, given that I only have a half an hour, and I know that if I was to ask the minister how he feels today, he could easily speak for 30 minutes on that, if there's a question that I can get a short answer on, I would like to, because it's my 30 minutes. I'd like to have the option of saying to the minister, "Thank you very much," and move onto the next question.

**The Chair (Mr. Tim Hudak):** Yes. If it's a short—

**Mr. John Yakubuski:** Because we are very short of time.

**The Chair (Mr. Tim Hudak):** Short questions with short answers; open-wide questions, I'll give more leeway.

**Mr. John Yakubuski:** Thank you very much. You made the statement—

**Hon. George Smitherman:** Does that apply to "gotcha" questions?

**Mr. John Yakubuski:** You made the statement, Minister, that conservation is the cheapest energy you can buy. Are you committing to ensure that in multi-residential buildings each unit has an individual meter so that we can capitalize totally and in the best possible way on conservation?

**Hon. George Smitherman:** I think that's an interesting construct, to take that one comment and tie it into another. Is your question about conservation or is it about multi-unit residential units?

**Mr. John Yakubuski:** It's conservation.

**Hon. George Smitherman:** We believe in conservation. The integrated power system plan calls for 6,300 megawatts of it. We're going to pursue vigorously opportunities for conservation. What I said in my speech was it's important that they be verifiable. Not all conservation programs are alike. Ontario has an extraordinary—

**Mr. John Yakubuski:** Will it include multi-residential buildings?

**Hon. George Smitherman:** I can't say yes or no. Ontario has an extraordinary array of multi-unit residential buildings, and there are serious risks associated with the implementation of these strategies on low-income individuals that I will always be very, very sensitive toward. It would be more ideal in our province to have built all our multi-unit residential individually metered but we don't have that as a reality.

**Mr. John Yakubuski:** Thank you very much.

You also talked about the transmission line between Bruce and Milton. Of course, there's refurbishment going on at Bruce. Is the expectation, or can you assure us, that the line is going to be in operation before the refurbishment is complete?

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**Hon. George Smitherman:** I can assure the honourable member that the line is an extraordinarily high priority. You can see, associated with the timelines, that

we're taking it very, very seriously. But the line is not only related to the refurbishment at Bruce; it's also about maximizing the potential to get renewables from the shore of Lake Huron and the Bruce Peninsula to the markets in the greater Toronto area.

**Mr. John Yakabuski:** But the biggest, as we know, single power source up there is the Bruce nuclear plant.

I want to ask you a couple of questions on the renewable energy RES III. The date for submissions was October 28, and I believe that all those have now been tabulated. You wrote a letter to the editor in the *Barry's Bay This Week* condemning the local council for passing a moratorium on one development in the township of South Algonquin for 10 years. The proponent, the developer, was one of the applicants in the RES III. Do you not think it would be tantamount to interference in the process, that you're challenging the right of a duly elected government to run their affairs, as they have the legal right to do, and that you as Minister of Energy are responsible for this RES III? You're injecting yourself into the debate.

**Hon. George Smitherman:** I think perhaps you're misinformed. Well, you are misinformed; maybe it's wilful, or not. The OPA makes the decisions around applicants on RES III. You know that very well.

Wherever I see an opportunity that a municipal council in the province of Ontario is doing something like creating 10-year moratoriums, I'm going to speak out in favour of the encouragement of all leaders to take a good, hard look at the contribution that renewable energy can make, not just to the energy supply mix, not just to the climate, but to the economy in their local community. It's part and parcel of the public debate. I think the letter was quite a respectful letter.

**Mr. John Yakabuski:** The OPA might sign the contracts, but they take directives from the Minister of Energy: you, of course. In your own speech you talked about—

**Hon. George Smitherman:** With respect—

**Mr. John Yakabuski:**—directing the OPA, and when a minister speaks, and I believe that does have some influence—

**Hon. George Smitherman:** With respect, you are suggesting, sir, that I'm exercising direction over the OPA's—

**Mr. John Yakabuski:** No, I'm not.

**Hon. George Smitherman:** Yes, of course. Read your record back.

**Mr. John Yakabuski:** I'm suggesting that I think it would be wise for the minister not to inject himself into those debates when that proponent is already in the mix as an applicant under their RFP process.

**Hon. George Smitherman:** I disagree with your point. I think it's an odd construct, but I accept that it's your view.

**Mr. John Yakabuski:** Okay. You talked about your visit to Europe and you spoke several times about the role Dr. Suzuki played in that. Can you provide for us a copy of the itinerary for that trip?

**Hon. George Smitherman:** I think you or someone from your party has already done an FOI request on that, but of course we're happy to do it. I think if you looked at the itinerary, you'd think, "Oh, my goodness—"

**Mr. John Yakabuski:** But can you tell us today which system operators you met with on that trip?

**Hon. George Smitherman:** We met with the system operators in Spain from Red Eléctrica, which is the equivalent of the Independent Electricity System Operator. In Germany we met with a wide variety of system operators and big integrated utilities. In Spain we focused quite a bit more on local distributed generation and renewable models. I'd be very happy to provide you with the itinerary, but if you'd like to have a personal debriefing or further information or a slide show of the images that I took, I'd be happy to share all of those with you.

**Mr. John Yakabuski:** I'm looking forward to seeing them.

**Hon. George Smitherman:** I meant to send you a postcard.

**Mr. John Yakabuski:** I'm sure you did.

**Hon. George Smitherman:** I was just so busy.

**Mr. John Yakabuski:** You talked a lot about wind in your presentation and you seem to make a lot of noise—and I don't say that disrespectfully—about wind and the role that it's going to play. In 2007, with an installed capacity of about 400 megawatts, Ontario got less than two thirds of 1% of its power from wind. Now, at 1,000 megawatts, we're looking at about 1.6% of our power if we extrapolate that. At 4,000 megawatts, we're still looking at about 6.5% from wind.

Do you have a plan to go much bigger? Because at 6% of our power from wind, and I don't hear many estimates going much beyond 4,000 to 5,000 megawatts, how do you expect wind to be able to solve the needs and the replacement of 6,500 megawatts of coal—I know gas is part of that as well—in your commitment to renewable energies, given that their capacities are so low?

**Hon. George Smitherman:** You've thrown a few numbers around there, but I think you neglected to absorb a few from my speech, and they're important ones. Through the efforts that we've made collectively, which certainly includes wind, gas-fired plants and refurbishment of nuclear capacity, we have 4,000 additional megawatts online and about 6,000 megawatts projected by 2011 to come into light, for a total of 10,000 new megawatts. So there are three things combined: renewables, gas, a modest refurbishment of nuclear in there too—and conservation: You forgot conservation in that mix that you just spoke about.

Keep in mind that the 6,300-megawatt target on conservation is why I said it's really important that we focus on the verifiability. We have a lot of expectation on conservation, and what we're going to do before we build wind towers or anything else is maximize the opportunities to take advantage of energy efficiency and conservation initiatives. We're counting on that for a lot—



and it has produced 1,350 megawatts of savings so far, as presented by Peter Love.

**Mr. John Yakubuski:** Well, the low-hanging fruit is always the easiest to get at early in the stages. I think it's expected that you're going to have good numbers to begin with.

You talked about nuclear, and you said that you're not going to go beyond the current capacity, but you're also talking about new generation. I'm speculating, obviously, to some degree, but there's a lot of speculation out there by people who are very learned in the field that there's a good chance that refurbishment of Pickering B is not in the cards. So if that doesn't happen, we have further nuclear challenges down the road, but you, offhand, dismiss Nanticoke as a site for any future nuclear development. You've said, "No, it's not going to happen."

If it's determined that Pickering B cannot be refurbished at any kind of economical or reasonable cost—and certainly that discussion is happening as we speak—how are you going to maintain the nuclear capacity if you're not going to consider building more nukes either in the current locations or other locations? And you still have the issue of supported voltage at Nanticoke unless you're going to do something to have generation there with the closure of the coal.

**Hon. George Smitherman:** Firstly, you started a question by saying that you're speculating—I'll add the word "wildly."

**Mr. John Yakubuski:** Well, you're speculating on your conservation targets.

**Hon. George Smitherman:** No, no. With respect, firstly, an integrated power system plan is a first-ever plan. Previous governments didn't do it.

**Mr. John Yakubuski:** Well, OPG has said it themselves, that they're wondering whether it's doable.

**Hon. George Smitherman:** OPG is not leading those initiatives, so—

**Mr. John Yakubuski:** They're certainly not—

**Hon. George Smitherman:** You asked me a five-part question. Do you want any of the answers or do you want to interrupt?

**The Chair (Mr. Tim Hudak):** Maybe you could get to the question about the nuclear sites.

**Hon. George Smitherman:** The first and foremost thing I want to tell the honourable member is that we're focused on a new build at Darlington. You're aware of that. Speculation about the future of Pickering is just that, and it's not something I'm going to get involved in in this forum. At the appropriate time, we'll take a considered view about the appropriate future for Pickering.

In the context of Nanticoke, I seek to send a message to the people of Ontario that the government of Ontario's orientation with respect to nuclear is to successfully complete a new build at Darlington. With respect to Nanticoke, it has not been in our government's plans or encouragement to have a nuclear power plant built there. A private entity seeking to influence downstream government policy has decided, and appropriately so, from

their standpoint, that they wish to try to create an opportunity for that. That is their choice.

On the issue of the role of Nanticoke, I'm very, very encouraging of OPG's examination on any of their coal-fired assets that might be converted to biomass, which is a very, very clean form of energy, can be very beneficial to agricultural and forestry-related communities, and is a topic of substantial examination by OPG and a topic of review in the context of the directive that I sent to the OPA.

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**Mr. John Yakubuski:** We'll talk about that biomass, then. I know you've talked about the test burns you did at Atikokan—100%. One of the considerations that I've seen out there is that Nanticoke could be converted. The pellets that you've used for test burns at Atikokan—it's my understanding, and you can confirm this—have not come from the province of Ontario.

If there is any expansion for the use of wood pellets at any of our currently coal-fired stations, can you give us assurances—and work with the ministries of the environment and natural resources etc. to ensure that we have the capacity; we have the product, we have the fibre; there's no question about that, as you know—that those pellets will be produced here in the province of Ontario?

**Hon. George Smitherman:** Well, it's a great question. Let me say this firstly. The coal that's being burnt there now is coming from North Dakota and Wyoming.

**Mr. John Yakubuski:** We don't have coal.

**Hon. George Smitherman:** Yes, exactly. And pelletization: Obviously, British Columbia has done a little bit of that, and that's the product that was used.

The examination that's ongoing, the due diligence, which includes many different parties and groups, including those ministries that you mentioned, is designed to take stock of the fibre that's available, source out that which is appropriate for these purposes, and see what can be done to fashion an industry around it.

The only other point I would mention is that some of the test burns that have been done at Nanticoke, which have been more co-firing rather than 100% pure, have used sort of residue product from agricultural purposes. Other things like switchgrasses are to be contemplated.

We do see economic opportunities, both in the agricultural and forestry sectors, but there's quite a bit more work or due diligence that needs to be done to determine—not all the boilers are alike, as an example. Some products are going to work better in them, and this is the manner of investigation that OPG is currently leading.

I'll make one further point. When we look at biomass solutions for coal-fired assets, it's Atikokan first—this is our first priority—and other opportunities will follow. But building on the government's investment of \$4 million in the Atikokan Bio-Energy Research Centre, and the work that I've done in Atikokan, which includes multiple visits over the last number of years, we're really focusing in on those opportunities in Atikokan. We've already been involved in conversation, as an example, with the First Nations that would like to be involved in

helping to make some economic opportunities associated with the supply of the fibre, as you've mentioned.

**Mr. John Yakubuski:** Nuclear new build: You're saying you're expecting to make a decision sometime this spring, which could take us to June 20, 2009. Can you provide us, or can the ministry provide us, with an estimate?

This issue has been going on for years, certainly the five years that you people have been in government. It was in 2007, I guess, that they made the decision that they were going to build two new units; it might have been 2006.

How much expected additional cost of building—and I know you don't have bids, but we all know the cost of changes in raw materials and financing and capital and access to capital and all of that, and the availability and the cost of capital, all of those things. We do know those things. What is the additional cost associated with this nuclear new build as a result of the delays on the part of your government?

**Hon. George Smitherman:** With respect, I think that's one of the most poorly considered questions that I have ever had to address.

**Mr. John Yakubuski:** I didn't ask you if you like the question.

**Hon. George Smitherman:** With respect, he says, "We all know." Okay. Well, then, maybe you could tell me what has been the inflation rate on all of those things that you rang off there.

**Mr. John Yakubuski:** I'm asking your ministry to provide it; I'm not asking you to answer it.

**Hon. George Smitherman:** No, you said, "We all know," so you already know. The point is that the process that we're working on will determine what the price is, not just on the build. What we look to in the evaluation of which of the proposals is best is, what is the expected productivity—

**Mr. John Yakubuski:** So the short answer is, you won't provide that information?

**Hon. George Smitherman:** —what is the expected productivity and what are the longer-term costs associated with the electricity it will be providing?

**Mr. John Yakubuski:** The answer is, you won't provide that information?

**Hon. George Smitherman:** I know you're fancying yourself as Perry Mason, but—

**The Chair (Mr. Tim Hudak):** Folks, come on. Come on, now.

**Hon. George Smitherman:** —it's a "gotcha" question.

**The Chair (Mr. Tim Hudak):** Let's all get along. There's just an hour left in this whole session. Mr. Yakubuski, if you have a particular request of the ministry, I just want to make sure we got that on the record.

**Mr. John Yakubuski:** I would like their estimates as to what the additional costs for nuclear new build will be as a result of the delays over the past 18 months to two years.

**Hon. George Smitherman:** Firstly, I could say let's backdate that eight years to the previous government, who didn't do it.

**Mr. John Yakubuski:** We can't provide it. We're not in government.

**Hon. George Smitherman:** With respect, there is no mechanism, information or answer to the question the honourable member is searching out, and he knows that in asking it.

**Mr. John Yakubuski:** So you cannot estimate? There's no mechanism in place to do that?

**Hon. George Smitherman:** No.

**Mr. John Yakubuski:** So you can't estimate—

**Hon. George Smitherman:** You said, "We all know." You make it up. You make an estimate and send it over to me. I'll be happy to take a look at it.

**Mr. John Yakubuski:** We all know that those things have gone up. You've been here too, George.

**Hon. George Smitherman:** Yes, I would acknowledge that the price of things goes up year after year.

**Mr. John Yakubuski:** Yes, but delays do add to costs.

**Hon. George Smitherman:** Then we'll factor in the eight years of delay—

**Mr. John Yakubuski:** Businesses do that all the time.

**Hon. George Smitherman:** This is a manufactured delay—manufactured in your ideological construct.

**The Chair (Mr. Tim Hudak):** Folks, let's take a step back. One thing I looked forward to as Chair was the strong personalities involved with the energy estimates, and I'm certainly being rewarded with some entertaining discussion here at committee. But I will remind members that the purpose is for questions regarding the estimates of the ministry before us, as opposed to debate.

**Mr. John Yakubuski:** Okay.

Minister, you talked about your visit to Europe—Denmark, Germany, Spain and maybe a couple of other places; I didn't hear everything. I'm taking some information off what I am told is Denmark's official website, [www.denmark.dk](http://www.denmark.dk). The average price of electricity to the average consumer in Denmark for 4,000 kilowatt hours' annual consumption—much less than ours—works out to almost 40 cents a kilowatt hour based on their power plan. It's 39.8423 cents Canadian—obviously it's a currency conversion, so that changes daily. You're using Denmark as an example of what you want to build as the electricity system in this province. You talked about how you want to capitalize and follow the lead of these jurisdictions. Is that where we're going with—

**Hon. George Smitherman:** Obviously, no. We think those three jurisdictions have done a pretty good job at implementing renewables. We have a core supply mix which, as I mentioned, had 75% of our electricity provided last year by nuclear and by Niagara Falls and other large-scale hydroelectric. They don't have Niagara Falls in Denmark and they don't have nuclear, as far as I know—maybe in Copenhagen; I didn't go there.

You made the point earlier, actually, which I think is most relevant. Our starting point on, if you will, new



renewables, aside from big-scale hydroelectric: We're up to maybe a point and a half or something like that, in terms of the overall contribution it's making, and we're looking to make gains on that, but we're not looking to have a supply mix that mimics that of Denmark. In Denmark, nobody is further than 20 kilometres from the sea, the winds blow constantly—there are many differences. Associated with their models of implementation of renewables are some lessons we can learn and which we seek to apply, but we will not be changing Ontario's supply mix to mirror Denmark's, and we will continue to rely on Niagara Falls to provide electricity.

**Mr. John Yakabuski:** According to this, Denmark gets over 50% of its energy from coal.

**Hon. George Smitherman:** Yes, and Germany too. Something that environmentalists sometimes don't speak about is recognition of the supply mix of those countries. Our examination in those places was not, "We want to mirror your entire supply mix." Ours was to take a look at how, building on a very clean supply mix we already have, compared to them, we can further enable renewables to make an even bigger contribution to climate change initiatives.

**Mr. John Yakabuski:** I think it would be better if you were giving the complete picture, including when Dr. Suzuki is talking about those jurisdictions, and how much coal they actually burn—

**Hon. George Smitherman:** Well, I think I'm one of the few people who—

**Mr. John Yakabuski:** That's not the question.

**Hon. George Smitherman:** I mention this very specifically.

**Mr. John Yakabuski:** I'm not done with my question—so that the people get a more complete picture as to what is actually happening. But I am concerned that you—meaning you and your government—seem to be allowing Dr. David Suzuki to write your energy policy. We know he has credentials in the scientific and environmental fields and as a broadcaster, but I don't know that he would be considered objective by even the most objective people when it comes to energy. I do wonder why you seem to have jumped almost in lockstep with Dr. Suzuki in coming up with your energy policy.

1650

**Hon. George Smitherman:** It's just another example of a pretty bad question on your part. What you've suggested is that Dr. Suzuki—

**Mr. John Yakabuski:** Your answers haven't been all that good, George.

**Hon. George Smitherman:** With respect, what you've just suggested is that Dr. Suzuki has endorsed or actually influenced the Ontario government's policy to build two new nuclear reactors at Darlington.

**Mr. John Yakabuski:** That was before you jumped in with him.

**Hon. George Smitherman:** He's going to find that, particularly, a bit curious. Here's the thing—

**Mr. John Yakabuski:** He may have influenced your decision at Nanticoke.

**The Chair (Mr. Tim Hudak):** Let the minister respond to the question.

**Hon. George Smitherman:** He is an influencer, not just of government policy but of the attitudes of millions of Canadians. He's a much-admired individual. Like you, I have asked questions of those who talk about places like Germany, Spain and Denmark, all of which rely quite heavily on coal as part of their supply mix.

On the matter at hand, which is advancing opportunities to incorporate renewable energy into our supply mix for the purposes of green jobs and of assisting climate change initiatives, he most certainly has a perspective that is very valued. Of course, in this position, it's our obligation to take into consideration the views of many, many people. But we're very pleased that Dr. Suzuki has been willing to be a champion of conservation initiatives by starring, if you will, in our Every Kilowatt Counts campaigns and the like. I'm not really inclined to make any apology for that, but to suggest that he has been the influence over our policy is a little bit odd.

**Mr. John Yakabuski:** I heard the name at least six or seven times in your speech.

**Hon. George Smitherman:** I think it was only twice, perhaps three. Let me just check.

**Mr. John Yakabuski:** I'm sure you've read it over. You talked about getting your advice from many different sources and many different experts. When it comes to the issue of carbon capture, you're not interested in speaking to people on that at all. Would that be correct?

**Hon. George Smitherman:** No. I think it's a subject that I, among many, am interested to learn more about. But if it is associated on the part of those individuals who are trying to convince the province of Ontario to roll back our commitment to eliminate coal as part of our supply mix, then I'm not interested. If it's tied to that policy capitulation—perhaps you've absorbed that and reversed on your party's policies on coal, which are quite unclear and have been a little bit all over the map. We're working in a determined way to eliminate coal as part of Ontario's supply mix, and we're on track to eliminate that by 2014. We've already made substantial improvement in the reduction of coal in our supply mix, and climate benefits are starting to accrue in Ontario.

**Mr. John Yakabuski:** That would only leave you seven years later than your promise, Minister.

**Hon. George Smitherman:** Well, I'm not sure, at the moment, what your policy even is.

**Mr. John Yakabuski:** I didn't know you were asking us about our policies. We get to ask the questions at estimates.

**Hon. George Smitherman:** Sometimes it's a foundation for relevance.

**Mr. John Yakabuski:** What is relevant, if you're not interested in looking at any other issues, is the question I asked you—

**Hon. George Smitherman:** Any other issues? Excuse me?

**Mr. John Yakabuski:** —any other technologies, is, what is the cost of electricity in Denmark? If you are only

interested in looking at the plan as you see it, where do you expect electricity prices to be under your plan over the next five, 10, 15 years?

**Hon. George Smitherman:** We obviously have a foundation for energy that is different than Denmark, and we're going to continue to have assets like Niagara Falls and our nuclear plants that are part and parcel of such a supply mix.

I made the point a couple of times, but I think it's worthy of repetition because it doesn't seem to be sinking through too well: We can go and look at other jurisdictions and focus on one piece of their puzzle without having to adopt their whole puzzle. We have very different starting circumstances than they do, but on the implementation of renewable energy, which is a priority for our government where we've made good strides but can do better, we think those three jurisdictions were worthy of a little bit of time spent, and they gave us some insights that are very, very helpful, many of which we'll be able to apply going forward.

**Mr. John Yakubski:** Minister, I apologize that I have to ask those questions over again. I'm just not as smart as you. We can't help that, you know. George, you shouldn't be so—

**The Chair (Mr. Tim Hudak):** Folks, I remind members—I think it's important for all of us to be respectful of each other's questions and responses. Let's move forward.

**Mr. John Yakubski:** I'd like to go back to that issue that I talked about up in south Algonquin. There was an article in the Toronto Star about a meeting with respect to wind towers in Lake Ontario. Your comments, and I don't have much time so I'm not going to really look for them, were something to the effect that you felt changes might have to be made with respect to who gets to make decisions in regard to where you can or cannot establish a wind farm, etc. Are we—

**Hon. George Smitherman:** If you actually read the quote, I'd know for sure, but I think I know what you're—

**Mr. John Yakubski:** I'm going to find it if I've got it—two seconds.

**Hon. George Smitherman:** One of the things that I have said—tell me if this is what you're referring to—is that I think if you look at—

**Mr. John Yakubski:** Here, I've got it.

**Hon. George Smitherman:** Okay; thank you.

**Mr. John Yakubski:** "Ontario can likely do 'way better' in providing guidance on where renewable energy projects makes 'the most sense.'"

**Hon. George Smitherman:** Is there more to that quote?

**Mr. John Yakubski:** Well, there is more but that's all—

**Hon. George Smitherman:** That's the part you liked.

**Mr. John Yakubski:** Yes. I haven't got time to read it all. I'm running out of time.

Are you considering changes or are you considering taking carriage or control that currently municipalities

have with respect to zoning bylaws, etc. with regard to wind developments or any other developments? Are you planning to take over that responsibility or try to bring in legislation that might take that away from the municipalities?

**Hon. George Smitherman:** I think that what we're looking at is trying to take advantage of providing to a lot of municipalities, such as the one that you've mentioned, a little more clarity around what appropriate setbacks might be. One of the things we recognize is that in Ontario today a whole bunch of different municipalities, some of them quite small, are grappling with a variety of different applications.

I've had conversations, at a starting point with the president or chair of AMO, with a view towards trying to work hand in hand with the Association of Municipalities of Ontario to enhance what I would call a tool kit so that municipalities are in a better spot to be able to evaluate proposals as they come forward. So I don't think it has the nefarious intent that you're attributing to it, but I do think that we can do better to inform overall what things like appropriate setbacks would be, etc.

**The Chair (Mr. Tim Hudak):** Folks, that does conclude the 30 minutes for the official opposition. I think members of the committee know I particularly don't allow questions to be tabled because I want members to focus on the priority questions, and those should be on the record. But under the circumstances today, I'm going to allow an exception. Mr. Tabuns has some questions that he's going to table for the minister to respond to. I've looked through them in advance. They are short—many are simply yes or no questions—and therefore I do find that his questions are in order. I'll ask him to table them with the clerk, and then she can distribute them to members of the committee and to the minister and deputy to respond to at a later time.

**Mr. Peter Tabuns:** Thank you, Chair.

**The Chair (Mr. Tim Hudak):** As I mentioned in the beginning, Minister, now we're going to go back to you. You have 30 minutes for responses or any other topics that you want to discuss, and then we will conclude our meeting at that point.

*Interjection.*

**The Chair (Mr. Tim Hudak):** No, it's the minister's time.

**Hon. George Smitherman:** I haven't had any notes and I'm unfamiliar with the arrangements that have been made, but is it possible for the 30 minutes to be used for government members to ask questions, or it's just I'm supposed to have a 30-minute filibuster? And if I don't use the time, then the time goes back into rotation?

**The Chair (Mr. Tim Hudak):** It would normally go back into the pool, but I think just under the sort of special arrangements we're having today, I would just conclude the meeting at that point in time.

**Hon. George Smitherman:** Maybe I could make a few minutes of comments really just reflecting a little bit on some of the conversation that's been ongoing. We



look forward to the questions that are tabled and will do our very best to provide answers to those.

I really do want to make the point, in all sincerity, to the energy critic for the official opposition that we don't start with a fresh slate here in the province of Ontario; we start with a slate that is all of the implications of all the decisions of all of those who have been in positions of power over more than 100 years. That is the supply mix that we inherited.

1700

The work we're doing as a government is to make sure that nuclear, which has been a very, very important part of Ontario's supply mix for a good, long time, continues to provide for us going forward, that we continue to rely upon Niagara Falls and other large-scale hydroelectric assets and that the combination of those two forms of energy production have provided in the last year for just about 75% of all the energy needs of the people in Ontario. We can then choose to focus on a few other things for the balance of that 25%.

It's clear to all that we're a government that is eliminating coal. By 2014, it will no longer be part of the supply mix in the province of Ontario, and that provides us with exciting opportunities to bring in alternatives, each of which is beneficial from a climate change standpoint. The progress made to date is 4,000 megawatts of new capacity, with about 5,000 or 6,000 additional megawatts of capacity in the pipeline that is expected to come to life by 2011. This will mean that Ontario, which as a starting point has a very favourable energy supply mix from the standpoint of its climate impact, will emerge with an even greener one. We think that in so doing, focusing on conservation demand management—that is to achieve, to meet much of the expectation of growth in demand through conservation in a parallel track with enhanced renewable energy—it is both an opportunity to make that progress on climate change, which is obviously a key public policy imperative in this day and age, but also to uncork a substantial green jobs revolution.

I had the opportunity, when I went to the official opening of the largest wind farm in Canada, at Melancthon, just north of Shelburne, north of Orangeville or west of Alliston, to learn more about how the development of that wind farm really provided a lot of economic opportunity in labour and in supplies for literally dozens and dozens of businesses, from the big bolts to bolt in the towers, to the laying of concrete pads, to the generation equipment and the supply of wires. The company that built there was very dedicated to spending their money in a way that had an extraordinarily positive economic impact.

In talking to the landowners: They were enjoying the circumstances, farmers particularly, with having a reliable source of revenue beyond that which the field is able to produce for them. In that instance especially, we had municipal leaders who had stepped up to the plate, been proactive and actually created the conditions that have allowed for hundreds and hundreds of millions of dollars of investment in their very community. We see these

opportunities in many Ontario communities that have been identified but have not yet come to life. The work I'm doing and that I've asked and challenged the Ontario Power Authority to undertake is to build on the success that we've had.

Three or four years ago we introduced the RESOP program. It was very well received. It was novel for its time and has been more successful than was predicted. But instead of just coasting along on that level, we see the opportunity to enhance renewables in our supply mix. The work the Ontario Power Authority is leading is designed to do exactly that. Within a few short months I expect to be in a position to be able to demonstrate to the people of Ontario that Ontario will be a leading jurisdiction in taking advantage of fuelless forms of energy and, in so doing, uncorking economic opportunities in the green jobs agenda. It has some elements of similarity to the campaign platform of the honourable member for Toronto—Danforth.

This is what we're all about. Going to search out what other jurisdictions did is not to say that we went to Germany, Denmark and Spain and said that we want to adopt their supply mix. That wasn't the point at all. Ontario's supply mix is Ontario's because it's built on the unique features of leadership, decision-making and geographic features which are inherent in our jurisdiction. But we do feel that other jurisdictions can sometimes offer insights that, when put into play here, can be very, very beneficial. That's part and parcel of why I've gone and sought to learn more and to look for solutions that can be engaged here.

I would just like to close on one more point which unfortunately we didn't get a chance to talk about but which I think is one of the most exciting opportunities associated with the advancing of a green energy agenda, and that is the opportunities for aboriginal communities, First Nations and Metis, to be genuine partners in these energy supply projects. I mentioned in my speech that in northern Ontario, just south of Red Lake, there is a very pretty community called Ear Falls, where a long-standing hydroelectric project, I think first created in the 1930s to support mining activity in the areas, has recently undergone a substantial investment and will come to life and be producing power in the next few months. Ontario Power Generation has really worked hard to develop relationships with the First Nations—in that case, the Lac Seul First Nation. I've toured that site with Chief Bull. They enjoy 25% ownership. They put \$4 million into the deal and, through a regulated return on investment, will be receiving 10% return and \$400,000 in stable, reliable cash flow for that First Nations community. I think this is one of the most important and exciting opportunities that exists.

As I look to the work that I'm privileged to do alongside so many people in the energy sector, I'm working as hard as I possibly can to develop policies in a way that offers more full, complete partnership participation of First Nations communities so that they can share in some of the bounty of bringing renewable energy to life in the

province of Ontario. To do that will require some determination. To site transmission lines, as an example, is not easy in the environment in which we operate. Nevertheless, these will be important priorities, and we look very much forward to the opportunity to undertake those.

I do hope that I have the good fortune of being invited back for a lengthy estimates process next year.

Thank you, Mr. Chair, for your always good hospitality.

**The Chair (Mr. Tim Hudak):** Terrific. Minister, thank you very much. Deputy Minister Rafi, thank you very much; to the critics as well. This does conclude energy for today.

There are five hours remaining in the estimates of energy; however, I think as folks know, by the standing order in the Legislature, the last meeting for estimates of 2008 is today, Wednesday, November 26, so we will now conclude the process.

Again, to the Ministry of Energy team, thank you very much for being here. Thanks for the responses to the questions that will be forthcoming to the critics.

Folks, we got through the Ministry of Economic Development and Trade; the Ministry of Aboriginal Affairs; health and long-term care; northern development and

mines; research and innovation; labour; agriculture, food and rural affairs; finance; training, colleges and universities; and, partially, energy. That's not a bad accomplishment for 2008.

It has been a pleasure working with you folks. I'm going to miss you.

*Interjection.*

**Mr. Tim Hudak:** From the answer, it's not reciprocated, obviously.

Many thanks to my hard-working clerk, to legislative research—Jerry—to Hansard and others for your efforts to make us get on with the process and conclude today.

No more formalities?

**Mr. Bob Delaney:** On a point of order, Chair: We just want to thank you for your attention to procedure and detail, for your consistent good humour, for your adherence to the standing orders, and for making the exercise of the Standing Committee on Estimates as pleasant and as productive as you can.

**The Chair (Mr. Tim Hudak):** I always liked you, Delaney.

Folks, thank you very much. We are now adjourned.

*The committee adjourned at 1707.*





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Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 28 April 2009

# Journal des débats (Hansard)

Mardi 28 avril 2009

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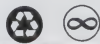
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 28 April 2009

Mardi 28 avril 2009

*The committee met at 0905 in room 151.*

## ORGANIZATION

**The Chair (Mr. Tim Hudak):** Good morning, folks. The Standing Committee on Estimates is now back in session. Welcome back, folks, and welcome to some new faces as well. We need to make a change to the subcommittee. Ms. Aggelonitis has a motion.

**Ms. Sophia Aggelonitis:** Yes, I have a motion. I move that the following changes be made to the membership of the subcommittee on committee business: Mr. Rinaldi be replaced by Yasir Naqvi.

**The Chair (Mr. Tim Hudak):** Ms. Aggelonitis moves that Mr. Naqvi be put on the subcommittee. Mr. Rinaldi is no longer a member of this committee. Any comments or debate?

**Mr. Garfield Dunlop:** We're going to miss him.

**The Chair (Mr. Tim Hudak):** Duly noted. We should give Mr. Naqvi a chance.

**Mr. Garfield Dunlop:** You've got big boots to fill.

**The Chair (Mr. Tim Hudak):** Any other comments? All in favour? Opposed? It is carried.

Mr. Naqvi, welcome to the subcommittee of the Standing Committee on Estimates. We look forward to working with you.

**Mr. Yasir Naqvi:** Thank you very much.

**The Chair (Mr. Tim Hudak):** Any other business before we begin the selection of ministries? Seeing no other business, I'm going to just walk us through. By the way, members of the committee will have received an updated resource binder on how the Standing Committee on Estimates operates. It's always a very helpful resource as we go through the number of ministries together in the months ahead. If you have any questions on it or what's new in there, you're welcome to speak with the clerk after the session. I've found that to be a handy resource on committee matters during our time together.

I'm just going to walk through how this process works as a reminder, because we only do this once a year, and then we will proceed with the actual selection of ministries.

As the members know, the Lieutenant Governor has transmitted the estimates of certain sums required for the services of the province for the year ending March 31, 2010, to the Legislative Assembly. Pursuant to standing order 59, these printed estimates, upon tabling, are deem-

ed to be referred to the Standing Committee on Estimates. All members of the House should have received a copy of the 2009-10 expenditure estimates when they were tabled on Tuesday, April 21.

We have the following two objectives from today's meeting:

(1) to select the estimates of certain ministries or offices for detailed review by the committee, and

(2) to determine the date on which the committee will begin the consideration of the selected estimates.

Standing order 60 sets out the process by which the committee makes its selections. Essentially, each of the recognized parties on the committee shall select the estimates of either one or two ministries or offices in each of two rounds of selection.

The official opposition selects first, followed by the third party and then the government members. After two rounds of selection, the committee will have selected the estimates of six to 12 ministries or offices for review.

Each party then also determines how much time is to be allocated to the consideration of estimates for each ministry or office that they have selected. A maximum of 15 hours is permitted per selection. If only one ministry's estimates are selected in a round, those estimates could be reviewed for a maximum of 15 hours, if you so chose. If the estimates of two ministries are selected in a round, they could be reviewed or combined to the total of 15 hours. It is up to the party making the selection to determine how the 15 hours are divided between the two ministries chosen.

At the conclusion of the two rounds, a maximum of 90 hours will have been allocated to the estimates review of the selected ministries or offices. The ministries and offices shall be reviewed in the order in which they were selected. This order may only be changed by an Order of the House.

The estimates of the ministries and offices not selected for consideration will be deemed to have been passed by the committee. As Chair, I'll report those estimates back to the House and they will be deemed to be adopted and concurred in by the House.

Any supplementary estimates of selected ministries and offices shall be considered by the committee within the time allocated during this selection process.

In accordance with standing order 63(a), the committee must present a report to the House with respect to the estimates it selected and considered by the third

Thursday of November this year, which is November 19, 2009. So that's our drop-dead date, so to speak. If the committee fails to report by the third Thursday in November, the estimates and supplementary estimates before the committee will be deemed to be passed by the committee and deemed to be reported to and received by the House.

Any questions on procedure before we begin? All right. Then, following procedure, the first two ministries or offices will be selected by the official opposition. Mr. Dunlop.

**Mr. Garfield Dunlop:** The official opposition would choose, number one, for seven and a half hours, economic development and trade. The second seven and a half hours would be the Ministry of Energy and Infrastructure renewal.

0910

**The Chair (Mr. Tim Hudak):** Very good. So the official opposition's first two choices: the Ministry of Economic Development and Trade for seven and a half hours and then the Ministry of Energy and Infrastructure for seven and half hours. Is that a single ministry or is that—

*Interjection.*

**The Chair (Mr. Tim Hudak):** Okay. You've got to be clear for the record. The new name is the Ministry of Economic Development, just to be clear for the record. So it's the Ministry of Economic Development for seven and a half hours, and the Ministry of Energy and Infrastructure, which is the name of the ministry, for seven and a half hours. Terrific. Thank you, Mr. Dunlop.

Mr. Bisson.

**Mr. Gilles Bisson:** The NDP would choose, for the first part, the Ministry of Finance for seven and a half hours—and you've taken two of mine; that's pretty good. I've got to do a bit of a switch here. Innovation—what is it called again?

**The Chair (Mr. Tim Hudak):** Research and Innovation.

**Mr. Gilles Bisson:** The Ministry of Research and Innovation for the other seven and a half hours.

**The Chair (Mr. Tim Hudak):** We'll just confirm the official name of the ministry for the record: the Ministry of Research and Innovation.

Again, the third party and Mr. Bisson: seven and a half hours for the Ministry of Finance followed by seven and a half hours for the Ministry of Research and Innovation. Thank you, Mr. Bisson.

For the government side, Mr. Naqvi.

**Mr. Yasir Naqvi:** The Liberals will choose the Ministry of Municipal Affairs and Housing for 15 hours.

**The Chair (Mr. Tim Hudak):** How many hours of the—

**Mr. Yasir Naqvi:** Fifteen.

**The Chair (Mr. Tim Hudak):** All 15 hours?

**Mr. Yasir Naqvi:** All 15 hours.

**The Chair (Mr. Tim Hudak):** So Jim Watson gets to hang out with us for 15 hours straight.

**Mr. Yasir Naqvi:** He'll enjoy it.

**Mr. Garfield Dunlop:** That was our next one. Thank you.

**Mr. Bob Delaney:** Don't say we've never done you any favours.

**The Chair (Mr. Tim Hudak):** All right, so the government has chosen the Ministry of Municipal Affairs and Housing for the full 15 hours of the first round.

We'll repeat our pattern for the second batch of choices. Mr. Dunlop.

**Mr. Garfield Dunlop:** The Ministry of Health and Long-Term Care for seven and a half hours and the Ministry of Small Business.

**The Chair (Mr. Tim Hudak):** The official opposition has chosen the Ministry of Health and Long-Term Care for seven and a half hours and the Ministry of Small Business and Consumer Services for seven and a half hours. That will conclude the official opposition's choices. Mr. Dunlop, thank you very much.

Mr. Bisson, your second two choices.

**Mr. Gilles Bisson:** So that leaves me, then, with the Ministry of Health for seven and a half hours, and the other seven and a half hours will be Comsoc.

**The Chair (Mr. Tim Hudak):** I'm sorry. The Ministry of Health was chosen by the official opposition.

**Mr. Gilles Bisson:** That's right. Sorry, I forgot to scratch it off. My mistake. So that leaves me with—Small Business is taken. All right, so Comsoc will be seven and half hours—

**The Chair (Mr. Tim Hudak):** Community and—

**Mr. Gilles Bisson:** Social Services—poverty, youth and all that stuff. I will then move to the Ministry of Labour for the other choice.

**The Chair (Mr. Tim Hudak):** And that's for seven and a half hours as well?

**Mr. Gilles Bisson:** Yes.

**The Chair (Mr. Tim Hudak):** So the third party, in their second set of selections, has chosen the Ministry of Community and Social Services for seven and a half hours and the Ministry of Labour for seven and a half hours.

To the government, Mr. Naqvi.

**Mr. Yasir Naqvi:** We will choose the Ministry of Tourism for seven hours and the Ministry of Aboriginal Affairs for eight hours.

**The Chair (Mr. Tim Hudak):** So the government, in its final two selections, has chosen the Ministry of Tourism for seven hours and the Ministry of Aboriginal Affairs for eight hours. Terrific.

That will conclude our draft for the 2009-10 estimates. Again, we call the ministries in the order in which they were selected. Typically, folks, because of the ministers' schedules and the time to put those binders together, I allow for a week. So I would recommend not calling estimates in the session next week; it would be in two weeks' time. So two weeks from today we would expect the Ministry of Economic Development to present to the committee. I'm checking the calendar here—

**Mr. Garfield Dunlop:** May 12.



**The Chair (Mr. Tim Hudak):** That will be Tuesday, May 12. In my view, that's fair to give time for the minister's schedule and the ministry to prepare. Our expectation is that the minister would be here on each occasion to defend the estimates.

**Mr. Gilles Bisson:** Can you give us the run through in what order they are again?

**The Chair (Mr. Tim Hudak):** Yes, sure. Let's finish this: Are we all agreed on May 12 as the start date? Does that seem fair and reasonable?

**Mr. Garfield Dunlop:** Agreed.

**The Chair (Mr. Tim Hudak):** Tuesday, May 12, for the Ministry of Economic Development and Trade? Terrific. The clerk will then communicate that appropriately.

Just to recap, then, beginning Tuesday, May 12, we'll have the Ministry of Economic Development and Trade appearing for seven and a half hours.

**Mr. Yasir Naqvi:** Just to clarify, we're talking about the Ministry of Economic Development.

**The Chair (Mr. Tim Hudak):** I keep saying "Trade." Sorry, it's the old title. Yes, thank you, the Ministry of Economic Development. Old habit.

So on Tuesday, May 12, the Ministry of Economic Development for seven and a half hours. When that concludes, we'll have the Ministry of Energy and Infrastructure for seven and a half hours. When that is complete, the Ministry of Finance will appear for seven and a half hours, followed by the Ministry of Research and Innovation for seven and a half hours. Then we will have the Jim Watson show, the Ministry of Municipal Affairs and Housing, for 15 hours. Then, upon completion, we'll be visited by the Ministry of Health and Long-Term Care for seven and a half hours, followed by the Ministry of Small Business and Consumer Services for seven and a half hours. Following that, the Ministry of Community and Social Services, seven and a half hours; the Ministry of Labour, seven and a half hours; the Ministry of Tourism, seven hours; and the Ministry of Aboriginal Affairs, eight hours.

Again, we are to report back by November 19, meeting every Tuesday and Wednesday. The clerk will probably remind me: We'll start the afternoon sessions at—

*Interjection.*

**The Chair (Mr. Tim Hudak):** Just to make sure, last year we started at 4, but we found that with the way the procedures work in the House, we're going to start at 3:30 on Tuesday and Wednesday afternoons or the end of routine proceedings.

**Mr. Garfield Dunlop:** Wednesday morning or Tuesday morning?

**The Chair (Mr. Tim Hudak):** Wednesday afternoon. We're Tuesday mornings, 9 till 10:15 or 10:20, and then on Tuesday and Wednesday afternoons, 3:30 until 6. This will help us get through the estimates in an appropriate manner.

I think I covered all the bases. Anything else from the committee members?

**Mr. Garfield Dunlop:** Sylwia, will you be sending out an e-mail on this, or will we just do that individually with our own caucus members? Will there be a follow-up on this?

**The Clerk of the Committee (Ms. Sylwia Przedziecki):** This will be reported to the House; the Chair will report this to the House.

**Mr. Garfield Dunlop:** Oh, okay. You're reporting this to the House?

**The Chair (Mr. Tim Hudak):** I do, yes.

**Mr. Garfield Dunlop:** Okay. I'm just wondering when we'll see a cleaned-up copy of what we're doing for estimates for this year.

**The Chair (Mr. Tim Hudak):** Yes, why don't we try to put together sort of a rough sketch. Is that all right? A calendar for members, so they can see—

**Mr. Gilles Bisson:** Good luck.

**The Chair (Mr. Tim Hudak):** Yes, I know.

**Mr. Bob Delaney:** He said a rough sketch.

**The Chair (Mr. Tim Hudak):** It's a rough sketch. We all know that things can change, depending on what happens in the House.

**Mr. Garfield Dunlop:** But even just a list, in order, would be good for me—

**The Chair (Mr. Tim Hudak):** This would help, I think, the ministers and the critics know roughly what time they would be appearing at estimates.

**The Clerk of the Committee (Ms. Sylwia Przedziecki):** If I can just say, the list will appear on the orders and notices paper. It will be printed there daily after the report in the House and updated with the remaining time after each committee meeting, and it will be posted on the committees website, updated daily.

**Mr. Garfield Dunlop:** Okay, good.

**Mr. Gilles Bisson:** I think the issue you're raising is just approximately what the timing would be. I think that's what you're looking at.

**The Chair (Mr. Tim Hudak):** We'll work on sort of a rough schedule for members of the committee, so they can inform their respective ministers and critics roughly when they'll be coming. It's often unpredictable, depending on what happens in the assembly itself, but at least they'll know notionally when they should be prepared with their questions and answers.

Anything else, folks?

**Mr. Bob Delaney:** No trades for ministries to be named later?

**The Chair (Mr. Tim Hudak):** For 2011-12? No, I don't think that's allowed in the standing orders. No future considerations.

Okay, folks, the standing committee is adjourned until May 12 at 9 a.m. Thank you very much. Have a great day.

*The committee adjourned at 0920.*







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Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 12 May 2009

# Journal des débats (Hansard)

Mardi 12 mai 2009

## Standing Committee on Estimates

Ministry of Economic  
Development

## Comité permanent des budgets des dépenses

Ministère du Développement  
économique

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 12 May 2009

Mardi 12 mai 2009

*The committee met at 0907 in room 151.*

## MINISTRY OF ECONOMIC DEVELOPMENT

**The Chair (Mr. Tim Hudak):** Good morning, folks. Welcome, Minister and Deputy, to the Standing Committee on Estimates. We are here today for the consideration of the estimates of the Ministry of Economic Development for a total of seven and a half hours.

Before we begin, I want to clarify the role of legislative research with respect to the ministry before the committee today. The research officer is assigned to the committee to support the work of members of the committee. Her primary function is to research and prepare briefings, summarize submissions made to the committee, draft reports to the House, and, in the case of the estimates committee, to help the committee members track the questions and issues that are raised during the review of estimates. I do ask the ministry to monitor the proceedings for any questions or issues that the ministry undertakes to address, and I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly.

*Interjection.*

**The Chair (Mr. Tim Hudak):** Terrific, thank you. And if you wish, at the end of your appearance, verify the questions and issues being tracked by the research officer. Any questions before we begin? Okay.

We will commence with vote 901. To remind members of our procedure, that means that we begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes for the third party. The minister then has 30 minutes in which to reply, and the remaining time after that is apportioned equally among the three parties, beginning with the official opposition.

We'll see how we last today. We'll decide at that time whether we'll go with Mr. Bisson's 30 minutes or postpone that to the afternoon session.

Minister, the floor is yours, sir. You have 30 minutes. Welcome to the committee.

**Hon. Michael Bryant:** Thank you, Mr. Chair, for the welcome. I'm pleased to be back here again. It is my second time at estimates in my capacity as a member of the executive council. The last one was quite constructive, I thought. I try to take the approach, in terms of

taking the lead from the committee, that if there is some information that I can provide that's not four-square within the estimates process or within our ministry, I will make efforts to provide it. I'm not going to try and avoid getting you the information. There are limitations to the extent to which I can get some information. Certainly that which is in estimates and in our ministry we will get for you. If we can't get it now, because we're spread out over a couple of days or so—actually, I guess it's more than two days—we'll be able to get it to you eventually.

I know this will involve some tough questions and answers, but personally, I got a lot out of the last estimates experience, in terms of views from members, often veteran members of this House, to look at ways in which we might be doing things better. I mean that very sincerely.

The Ministry of Economic Development, as it is now, is less than a year old. The Ministry of Economic Development has come in many different iterations. The ministry itself has primarily been larger than simply local economic development. It was Economic Development and Trade at the beginning of the McGuinty government's mandate in 2003. It included responsibilities for gaming and the LCBO, as well as international trade, all research and innovation and so on. Then, I think, consistent with the changes that have been taking place in all governments, there's been a continued focus on the fiscal, and a push between 2003 and 2007 for the government to balance its budget. There has been a huge emphasis on balancing budgets. It was the case in the previous government that there was an emphasis on the fiscal as well, and federally and provincially, getting that balance sheet right became a primary goal of Canadian governments and, to a certain degree, of governments around the world.

We have increasingly seen, in addition to the fiscal, the economic playing a role. I think it has, by and large, been driven by the treasury, by the Ministry of Finance, over the years, and to a certain degree, over the years previous to 2003, without naming years. Sometimes Economic Development and Trade was kind of offstage, and most of the economic policy was being driven by Finance.

Since 2003, the Premier has created additional economic development ministries in order to put a particular focus, for example, on research and innovation. He took the ministry himself for the first while and John Wilkin-

son has had it since then. It allows one ministry and all of its officials to focus on commercialization, obviously, of research, and a particular focus on trying to take emerging technologies and commercialize them.

International trade, as a separate ministry, was created to allow a minister to spend a significant amount of time outside of the country to do both, and in the past, certainly, Minister Papatello did do both. It meant, inevitably, that she was not able to get to some international events and she was not able to get to some local events. This way, we are able to try and coordinate her efforts abroad to market and connect foreign investment to the province and then, using the funds that are available, to try and attract them into the province of Ontario.

In addition to managing the Next Generation of Jobs Fund, the communities in transition fund, the eastern Ontario development fund and the advanced manufacturing investment strategy, there are other funds, many funds, across government—it has been that way for many, many years; it precedes us. But the main economic funds are also found in the Ministry of Energy and the Ministry of Research and Innovation.

I want us to dwell on that for just a couple of minutes—I'm trying to watch the clock—to talk about a speech I gave which had a reaction from some people, here and otherwise. It's my view that, for many years, governments have been playing a role in attracting investment. They certainly do so in terms of creating an environment in which government is either providing enough or not enough support, or putting enough pressure or too much pressure—the pressure coming in the form of trying to create, say, a more environmentally sustainable economy; pressure in the form of creating health and safety standards; and support in the form of literally supporting business or streamlining the approvals process.

Obviously, the tax system is another way in which government plays a significant role. We had major tax changes in the last budget to address that.

Then comes the issue of investment. The government can spend in one of two ways: It can spend taxpayers' dollars by way of consumption or by way of investment. On the investment side, how do we participate with businesses to draw them in? In Michigan right now, a number of battery companies—start-ups, and some more well-developed—have established themselves in Michigan. They did that partly as a result of tax credits that were provided by the state, but they also did it based upon billions and billions of dollars of subsidies that the Obama government has put into energy. And that's our competition.

I will literally have companies come in and see myself, or meet with officials in the ministry, and they'll say, "We're thinking of expanding." They may be in Ontario; they may be outside of Ontario. "We are in the midst of consolidations," or "We're in a position where we're able to expand. We want to set up a new widget company, and we really want to set it up in Ontario. We are going to invest \$10 million ourselves, and we're

going to have \$10 million of investors in it. Another state right across the way"—let's say, Michigan—"is going to offer by way of a subsidy"—which is sometimes called economic incentives, and sometimes called grants, and sometimes called investments, and obviously, there's a big difference between a loan and a grant. They will say, "Well, they're able to provide an additional 15% or 20%. They can top up our investment by 15% to 20%."

It's very routine that that takes place. Since 2003, since I've been in government, I've watched it more intensely, but this has been happening over the years. People can point to great and famous companies that got assistance from governments over the years at one time or another. In its early stages, BlackBerry got assistance. Sometimes it's very small; sometimes it's very significant.

The big investments that have been made over the past 10 years have been in the area of auto, the most famous, or infamous, being in Chattanooga; the state of Tennessee provided over \$500 million for a \$1-billion investment, so the taxpayers picked up more than half of the investment.

What do you get for that? What is the public return on investment? Well, it is primarily jobs. Particularly in industries where the level of productivity is such that the labour force is not large, what you get is product and production and economic activity. So as you get more gross domestic product, you get more product that is spun off into other industries, you have consumers around the world and customers around the world, and then, of course, those companies are paying taxes and income taxes to the government.

Why do states and governments make these investments, and why do they decide, "Okay, we're going to invest in this or that"? It's because they want to grow the economy. There are a lot of different ways of doing it.

It would be wrong to think that government leads the economy in every area. By and large, government ends up supporting where the private market is going. So you'll get companies coming to government and saying, "We're going to go here with this investment. If you provide 10% funding, then we will come to your jurisdiction."

In some cases, government does lead the economy. That would be less by way of subsidy and more by way of policy. I'd say that the Green Energy Act, with its fixed feed-in tariff policy, is in fact driving a part of the economy by creating an incentive to bring people in. I don't know what the number is, but in almost all cases, the government is not leading the economy in that sense; it's supporting where the private sector is. And, of course, the vast majority of investments that take place continue to be 100% private financed.

It is on these margins that we find ourselves competing with other jurisdictions, often with subsidiaries as partners, or, say, a global leader that is an Ontario company as a partner. The risk becomes that if we don't partner with them, they leave the jurisdiction, and in some cases, they do leave the jurisdiction.



That's the story on estimates. Obviously, we're going to get into that more and more. The main focus from the government's perspective is, if the company can demonstrate that in essence it's an innovative company that's consistent with the growth priorities of the province, then there's a heavy look at the balance sheet—a heavy, heavy, heavy look at the balance sheet—by the government in order to ensure that it's an investment that's in the interest of the taxpayers.

There have been circumstances where we've had to take a little longer, to make sure that the balance sheet was right, which has led to questions from the opposition: "What happened? Where is this investment that you're supposed to make in this company? It was supposed to be done by now. It's being delayed."

When these investments are made in these companies in people's respective ridings, often members will show up and celebrate primarily the company and primarily the workers. And yes, the government is there, and but for that investment, maybe it wouldn't have happened, but it is really a community announcement and that's why some members of this committee have been at those announcements. They are good things for those communities and good things for those economies.

Quickly, because I think I've got what, two minutes left or something, Mr. Chair?

0920

**The Chair (Mr. Tim Hudak):** No, you have 18 minutes left.

**Hon. Michael Bryant:** Beautiful. I could go on for a long time, apparently. I haven't even looked at my notes yet.

The next part, which isn't grants, is loans; it's focused on manufacturing. It's the advanced manufacturing investment strategy. It's been in place for years, whereas the Next Generation of Jobs Fund has been in place for about a year. It is a loan program and it typically invests in a capital expansion of some sort. One example is, a company wants to purchase a piece of new technology in order to make itself more productive. It will then purchase that new technology based in part, or significantly, on the loan provided from the advanced manufacturing investment strategy. Then, the company is able to repay the loan, obviously, but then is also able to expand its operations. We have seen, particularly in these times, in the last eight months or so that I've been in this position, companies able to leverage these investments, these dollars that have been set aside in advance of the recession, to even greater advantage than might have been the case, say, five years ago.

I give the example of Mitchell Plastics, which a hundred years ago was known as Mitchell Buttons. It determined that the textile industry didn't have much of a future, some seven years ago, so it became a producer of plastics. It makes, primarily, plastic parts for cars. One of its competitors had a technology that allowed it to create a plastic that looked a lot like wood panelling. That competitor in the United States was in financial trouble. Mitchell Plastics was able to purchase that technology thanks to the advanced manufacturing loan.

As a result of that, that company, Mitchell Plastics, leapt ahead of many of its competitors. So when I say that we jump-start companies to jump ahead of their competitors, that's what I'm talking about, because particularly in this time, with all these consolidation wars, because of massive customer, client and consumer demand—as a result of that and as a result of the balance sheets being exposed to the elements and the drastic lack of financing in many cases, those that have a good balance sheet and have cash available, those that can prove themselves to be a good investment or a good borrower, are able to leverage these dollars from these funds in order to leap ahead of their competitors in a way that they otherwise could not.

Let me just say what some of the alternatives might be. One alternative is, you don't provide any subsidies and you try and provide subsidies purely through tax tools. This would mean that the state would, yes, be in the business of saying, "Okay, this sector," or "that sector," or "this industry," or "that industry"—"they are our priorities"; but the state would not say which companies are.

The upside to that is that it's very efficient in that the government does not have to invest any money in determining which companies ought to be the beneficiaries and which ought not to be the beneficiaries. But its effectiveness is a big question mark, in this sense: It means that every single company in that sector, say, that's eligible for a tax credit or all companies eligible for a cut in corporate taxes—and again, I emphasize that there was a cut in corporate taxes in the latest budget. There were a number of cuts. But I'm just saying, let's take those dollars in the funds and imagine that we would put them into tax cuts instead to support those businesses, the third alternative being that we would put them into public services directly and not provide those incentives. If we don't provide those incentives, there is a real concern that a number of businesses will leave this jurisdiction and take the jobs with them.

If we decide and accept for a moment that that is money that ought to be invested, you do it by way of tax cuts: Yes, easy to administrate; the problem is, the unproductive companies, the inefficient companies, the companies with poor balance sheets and the companies that are not producing innovative products get to benefit that tax cut. That's the case for all tax cuts, but I'm just saying if you took the dollars that we put aside for the Next Generation of Jobs Fund and put it into tax cuts. The advantage of doing it this way is that we are able to make efforts to put it towards those companies and sectors and industries that have proven themselves and established themselves in some fashion to be innovative and have proven themselves and established themselves in some fashion to have a solid balance sheet. So it means that it is a better investment or a better loan and a better chance of the taxpayer dollars being leveraged for greater success.

Was that decision explicitly made by all those jurisdictions, particularly, say, in Germany and across Europe

and across the United States, that are engaging in this activity, this reverse Reaganism, this demand-oriented governmental entrepreneurialism? I don't know if they did or not. Many of the jurisdictions are doing it simply because that's the competition and that's the marketplace, and if they don't make those investments in those companies, those companies leave and those jobs leave. They feel, as legislators, that they need to keep those jobs and that they need to stay competitive. Obviously there's a limit, and I would hope we've seen the limit in what happened in Tennessee and the half-billion-dollar investment in the VW plant in Chattanooga, but maybe we'll be proved wrong.

Then we get into how those investments are made, and this is important. This is a process that we will hopefully get to describe through questions. It is a rigorous process; there's no doubt about that. There are checks and balances in place; there are objective assessments that are put into place. Obviously the government wants to do everything it can to avoid making a bad investment on behalf of taxpayers. The politicians are accountable for these at the end of the day; no question about it. So we have to make those efforts in order to achieve that accountability. In turn, where we are able to leverage greater investment in the province of Ontario, that's an economic strategy that is working.

The growth of the Ontario economy was always going to be hampered as long as we had a jurisdiction next door, Quebec, which had a harmonized sales tax, whereas Ontario did not. So, as an export-oriented economy—more than 60% of our GDP is export; more than 80% of that is to the United States—with the demand going down in the United States, with imports going down in the United States, that necessarily was hurting the province of Ontario. In turn, that meant that in order for us to promote growth we had to say to businesses, “You know that input cost that's sitting on top of everything you do as an exporter in Ontario? We're going to take that away,” and that's exactly what has happened. We're going to take that away, as in, the province is going to take away that tax as the provincial sales tax becomes harmonized with the federal sales tax. Why? Because that is there to stimulate growth so companies don't leave and so, to companies who come in, we can say that we have a very competitive export-oriented economy.

The way in which to promote growth, as we heard from person after person, and I said to Roger Martin soon after I got this job—Roger Martin is the dean at the Rotman School of Management; he's got a vast array of tools in his head and forgets more in a day than I'll know in a lifetime on economics—“What's the one thing Ontario should do on our economy?” He said, “Harmonize the sales tax.” He wants us to do 10,000 other things too—don't get me wrong—but that was number one on his list. At least two of the chief economists at the big banks said the same thing. That was their number one.

That's the picture in terms of investment attraction. What about input costs and what about ease of business between government and businesses in terms of regu-

latory compliance and so on? On that front, the Open for Business program that we announced a few weeks ago: We opened it with not a lot of fanfare for a reason. It's going to be a “show me” program. I understand; every business has said that to me, and I accept that: “We will believe it when we see it.”

**0930**

Some members from past governments understand that the idea of speeding up a regulatory approval process is easier said than done, but this is the idea behind it. Until recently, the regulatory approach—outside of health and safety, so for economic matters; not health and safety matters; forget about that—was a process one. You had to meet the process, and if you met the process, then you had regulatory compliance. Arguably, with some exceptions, every company or individual was treated the same.

The problem with that, of course, is that the risk that comes with getting a certificate of approval for a restaurant fan in a small coffee shop is quite different than for a company that's installing a propane operation a few blocks away, but they could, under the process system, be treated the same. So the main shift is an approach that is, number one, based on risk management. The government assesses—and I'm going to say the “government,” and I don't just mean the Ministry of Economic Development; I mean the whole government—what it's regulating and says, “Which are the high risk and which are the lower risk?” For the high risk, the government can spend more time making sure that the high risk is addressed, and that actually will make that go faster. The lower risk—the restaurant fans—can be streamlined. We don't need to spend as much time on them. Why? Because they're lower risk. That's a big shift within the operation.

Secondly, it is extremely solutions-oriented instead of process-oriented. It's more business-facing, customer-facing—similar to what you've seen in ServiceOntario, if you've been there recently.

The last part is quite ambitious, and it's really a shift to the modern regulator, which brings businesses in on the front end and, for that matter, brings all legislators in on the front end. Instead of waiting for the regulation to be published in the Gazette and then the company writes their MPP or retains somebody to come and see the government and say, “Oh, we've got to get this regulation changed,” it's not in place yet, but the goal is to put in place a system where we can consult with those companies, those industries and those sectors from the beginning of the formation of the regulation so that we can do a better job of getting it right and companies can be involved throughout. I wouldn't be surprised if that process, in and of itself, ends up being expedited as a result.

The last part that the ministry participates in is to work specifically and regionally with communities to assist and support in any way in developing their economic development plans. That may be literally using communities in transition funds to provide to a community that is



developing a local economic plan. It's always the case that the local is right. Yes, we can participate in these investments, through the fund of funds, in trying to jump-start the economy, but obviously the best perspective on what the local economy's going to look like is the local. We will participate and assist with regions in that way. I'll get questions from members of the opposition about, "What are you doing for my community?" Often we work directly with economic development associations.

We work closely with the Ministry of Industry as of late in particular. I got to know Tony Clement, the Minister of Industry, when he was here in Queen's Park, so we already have a familiarity. We were brought together in a time of quasi-crisis with what happened with the auto crisis and found ourselves wandering the halls of Congress, engaging with other federal, provincial and US officials over auto. There may be questions about that as well.

I make sure that I don't personally, for whatever it's worth, spend all my time on the auto issue because there are many, many other issues to be addressed and there are much more qualified people in the Ministry of Economic Development and the Ministry of Finance who can address those issues. While I do play a role and I'm in touch with management and labour and Minister Clement on a very regular basis because, ultimately, we're going to be accountable for what happens here, I do make sure that we don't get swallowed up by these issues, which means that most of my meetings begin with, "You know, there are issues other than auto that matter, Minister Bryant." I assure them that I'm absolutely of that view and that we can't let that particular crisis envelop all that the government is doing—far from it.

In closing, I'd just say that the auto investments are not about investments in those companies, although that was the means to the end. The end was not making investments in those companies, to jump-start those companies. This was to avoid and avert an economic shock, particularly at a time—because, remember, the key decisions were made in December, when there was enormous uncertainty; there is now, but there was even more enormous uncertainty, and there was a danger that we would engage in the industry equivalent of what happened with Lehman Brothers, that something would be let go and that the consequences were not quite well-enough known. And of course, Lehman Brothers being allowed to fail turned out to be a disaster.

So this is about saying that all the competitors agree that there should be a financial rescue for these two companies, which is extremely unusual. All the competitors of those companies agree. Toyota, Honda and Ford said, "Fine. Just don't do anything anti-competitive, but go ahead and keep them alive, because their suppliers are my suppliers." We were able, with a single or two transactions, to put the finger in the dike, to avoid that economic collapse. That is the justification for that rescue, not an assessment of those individual companies. The assessment of those individual companies comes from the due diligence that's necessary to protect the taxpayer dollars.

So I look forward to this. I think I'm almost out of time.

**The Chair (Mr. Tim Hudak):** About two minutes.

**Hon. Michael Bryant:** Well, I want to use up every single second I can, Mr. Chair.

I'm very glad to be sitting here with a fantastic team of people who keep me employed—thank you—relatively speaking, other than the voters. Deputy Minister Phil Howell is to my left. Deputy Minister Howell has had experience in a number of ministries, including the Ministry of Finance, and Economic Development in a previous life. He was the deputy at Tourism before he came here. He arrived here just in the nick of time, in that he came in November, a really boring time last year to become Deputy Minister of Economic Development.

Together with this great team that we have here, we're looking forward to getting your questions. Again, if we don't have the answer right off the top, we'll either get it by the end of the session or we will make best efforts to get it to you by the end of our estimates time. Thanks, Chair.

**The Chair (Mr. Tim Hudak):** Terrific. Minister, thanks very much; Deputy; and Mr. Clifford, the ADM, as well, corporate services division and CAO, at the head table.

We now go to the official opposition. Mr. Chudleigh, you have 30 minutes of time.

**Mr. Ted Chudleigh:** Thank you very much. I'll use part of my time with an opening statement, and then perhaps we can go right into questions.

Good morning, and thank you for being here, Minister and Deputy. It's a pleasure to see you again. We're here to talk about Economic Development, which is, of course, a very critical portfolio, perhaps the critical portfolio at this moment in Ontario's history.

Last year, we had a different minister before us. Her performance in Economic Development was a little less than stellar, so I was optimistic when they brought in Minister Bryant. I look forward to his bold and innovative ideas. I've got to admit, he shocked me a bit in the last couple of days, and was somewhat disappointing, but we'll get to that as we go through.

To start out, we didn't hear very much about him, other than he was following Tony Clement around and doing his best to keep us competitive with the Americans on the auto file. That was a very necessary thing to do, something that I would agree with and take no issue with. Although financing public companies goes against my Conservative grain, I think that in this particular case there was a reason to do so.

**Mr. Gilles Bisson:** This is really ironic.

**Mr. Ted Chudleigh:** Yeah, it is ironic, isn't it? And I re-emphasize that I'm not comfortable with that, but it's the best of a bad situation.

Otherwise, the ministry has operated in much the same old same old way, just with a new face in the ministry.

The McGuinty policies have frankly failed and are continuing to fail, and the indications are everywhere. We see the net migration of Ontario workers, more than

70,000—70,000 workers have migrated to other provinces to find employment. Ontario has moved into have-not status for the first time in our history. Have-not status does give Ontario about \$14 million a quarter, and of course, Ontario tax dollars pay a lot of that money, obviously, and the revenues in Ottawa—about 42% of Ottawa's revenues come from Ontario. In fact, we can massage that figure up as high as 62% because of the number of head offices that are in Ontario. But just because those are the accidents of population, it doesn't mean that Ontario shouldn't take a very, very serious look at having fallen into have-not status.

0940

We have a bloated bureaucracy in Ontario. Half the new job creation that has taken place under this government in the last six years has been in the public sector. There are more handouts and less competition and innovation. The handouts of this government have reached disproportionate levels, and I just can't let that pass without mentioning the Toronto Cricket Club, which doesn't involve this ministry, but it's one that this government should have a great deal of shame over.

There's been some poor investments, and I would bring the Beacon project up as one of those poor investments: \$235 million. At the time we made that investment, that was a massive amount of money, only to be dwarfed by more recent job investments. The results of the Beacon project have been nothing less than disappointing, in that they have resulted in job cuts, not job growth. There's been no return on investments. There were no conditions on the loans.

There has been more regulation. The all-talk-no-action policy has not created any new jobs—and more regulations. There was a policy that for every new regulation that was created, an old one would be eliminated. I've seen lots of new ones, but I've seen no announcements of any old regulations that have gone by the board. And there have been higher costs for business: new regulations, higher taxes etc.

These indicators of Ontario's decline have existed for years, long before the current recession. We started to warn this government about it in our early days in opposition, back in 2004. We maintain that a competitive jurisdiction that is competitive in wages, competitive in taxes, competitive in red tape, competitive in being a friend to business is the way in which to kick-start Ontario's economy, and we have moved away from all those four pillars of economic growth.

But in the usual way, the Liberals have done almost the opposite of what we have said. They've governed like they were campaigning. They've been more interested in photo ops and short-term policy gains than in the tough questions and answers that kept Ontario on top of the Canadian economy for so many years. Just look at how they handled the Ruby Dhalla affair: They showed up for a photo op and then they disappeared when there was actually something that they could do. That has been a consistent approach by this government.

Throughout this recession, the government has done little else but dodge bullets. They made sure that all Ontarians got the message that the provincial government is powerless. Well, the provincial government is not powerless. During good times, it's essential that the provincial government outperform other jurisdictions. It is equally as important, during recessionary times, that Ontario continues to outperform other jurisdictions—and we're not doing that. We are absolutely last in many of the economic indicators that are important, and we're absolutely last in Canada.

In a recent report, Statistics Canada wrote this: "Ontario's growth has generally been below the national rate since 2003." That is an indication. That is a canary in the mines, if you will. It's a very important indication that something had to be done, and it should have been done back in 2003, 2004 or 2005. It wasn't, and that has made the recession that we're heading into much deeper than it might have been if more positive approaches had been taken. This isn't spin, these are facts straight from Stats Canada.

Do you think it's a coincidence that Ontario fell below the national average in 2003, the same year that the McGuinty Liberals were elected? They were immediately followed by the largest tax increase in history, followed by a large tax increase on the HST, which I'll say more about in a minute. But if you extrapolate from the Maritimes experience, it looks like Ontario's surplus tax under the harmonized sales tax is something in the \$2.5-billion area. We won't know that figure until September 2011. That's a month before a very important date, but that's when we will actually know what the tax grab on that harmonized sales tax is. It'll be an interesting figure to have, particularly at that particular time in our evolution.

Lately, the government has woken up from its economic slumber. Before 2009, they were happy to use their billions and billions of new tax dollars—over \$30 billion—for their new social engineering. It's now illegal to be a moron in Ontario, as my colleague from Thornhill once said. They've passed a slew of naughty bills, banning everything from clotheslines to sushi to teen drivers and pesticides. It's interesting, pesticides for cosmetic use in Ontario were banned, absolutely ignoring the science that has been poured into that sector of the industry. With the Green Energy Act, which was debated yesterday, every Liberal speaker who stood up said that the Green Energy Act and all of its provisions were based on science—based on science here, and absolutely ignore science there. It's so typical of this government. But now that the economy is the buzzword among voters, the Liberals are all over it. All of a sudden, I wish they'd go back to social engineering.

First, we have a harmonized sales tax, and that is in essence a massive tax hike. I was in favour of a harmonized tax personally, and I think by and large our party was in favour of harmonized tax, but not one that masquerades as a tax grab and that exists in the very middle, in the depth of a recession.



I'm not surprised that this isn't going to be instituted until July 1, 2010. Hopefully we'll be out of the recession. The Bank of Canada doesn't believe we'll be out of recession by that time because they've frozen their rates until that date, but hopefully we'll be coming out of it. I won't be surprised if the rate of 8% on the harmonized sales tax isn't reduced by this government to try to fool the voters one more time.

Then, just recently, we heard the other great strategy of this government, which was articulated by Minister Bryant while speaking at the Canadian Club of Toronto last week. We wanted something bold and innovative. Well, he gave us bold, but I think he killed innovation. Reverse Reaganism is his new strategy. The minister says that the government will pick the economic winners and losers from now on.

Subsidies for companies are paid to companies to make up for jurisdictional shortcomings. I give you the example of the Magna plant that was recently built in 2000—2001, perhaps—in Milton. Magna was looking at three locations for that plant. One was in Alabama, where they were getting a grant of over \$5 million; I think I remember it being \$8.5 million, but it was up in that ballpark. There was also a plant being considered for Saginaw, Michigan, which had the usual Michigan subsidies. There were no subsidies being given to any corporation in those days by Ontario. Yet Ontario, when they added up all the costs of all those jurisdictions, won that plant. We won that plant because we were the best place to locate, and Magna could make more money locating in Ontario over the 10-year history of that plant than they could in any of the other jurisdictions, even with those massive subsidies that were handed out by the other two jurisdictions. That is what a competitive jurisdiction should aim for. That competitiveness was there for every other plant in Ontario. It wasn't picking a winner or a loser; every plant in Ontario got to enjoy those benefits.

I think it's important to remember that the winners and losers—it was a few years ago, but the H.J. Heinz Company went broke, and I suppose that if they had done that in Ontario, they would have been considered a loser. Well, they recovered from their bankruptcy of 1888 and they went on to become one of the largest food companies in the world, and one of the most successful. So governments picking winners and losers is a non-starter, as far as I'm concerned.

What does that mean? The press and most of the economists that I've read have an aversion to this reverse Reaganism and the killing of innovation. I'm not sure whether the minister has a shining city on the hill, or whether he has some professors at the Harvard school of international business or any economists anywhere who would support this move that the government is supposedly moving towards. It means that this minister feels that he is more qualified than the whole of the private marketplace—including banks, consumers, investors and many other organizations and institutions therein—to decide who will succeed and who will fail. It is often said, and the Premier is very fond of saying, that none of us is

smarter than all of us. Apparently, the minister might have missed that innovation.

**0950**

Years of evidence show us that excessive government involvement in the economy destroys innovation and efficiency. Even the Premier acknowledged that earlier this year when he said, "Governments can be a brake on growth," and I think he was referring to red tape and the environment at the time. This is the case because reverse Reaganism would mark the end of competition. Competition keeps business on its toes. It forces them to cut costs, to invent, to expand and to involve. These days more than ever, it also means to be green, socially responsible and fair. But when the government subsidizes one company over another, there is no competition; there are just winners and losers, black and white. Then the losers disappear and the winners answer to nobody.

When you think about it, the minister's scheme would force losing companies, companies that failed to receive a subsidized grant from the government—they would be required to subsidize their competitors with their own tax dollars. That hardly gives the impression that Ontario is open for business.

And then there's the increased vulnerability to pork-barrel politics and headline-chasing. Lord knows that when faced with the option, this Liberal government goes for votes and publicity over the common good, and we've seen that at the end-of-year spending when \$31 million was handed out to various organizations without a program and without any application process. That was the time in which the Toronto Cricket Club got its million-dollar grant, which the government tried to claw back and was unable to do so.

Ontario could not have escaped this recession. There's no doubt about that. We're tied to the US economy, whether we like it or not. The McGuinty government could have made it easier for us by heeding the warning signs, by preparing and adjusting according to the lessons of the past, but they didn't. There's not much that we can do about that, either. For that, this minister gets a pass, because he was busy at the time banning pit bulls. But to react to the current situation with radical ideas like reverse Reaganism or über-entrepreneurialism, or whatever else you want to call this illiberal scheme, is ill advised to say the least.

I understand the fascination with Barack Obama, but to try to outspend the President is truly dangerous. And if you look carefully at the US bailout, you're seeing that the vast majority of that money is headed into the financial sector. There's a bunch of it going into the automobile industry and there's some of it going into the energy business, but it's not across the board, it's not in all sectors, and there are some very strict guidelines as to how that American money is going to be spent. I understand it's somewhat doubtful whether all that money is going to be spent anyway. But I think it's important to note that if we get into a bidding war against the US Treasury, Ontario and Canada are doomed to fail.

If you want to look into the future, just take a look at the past. In the 18th century, a gambling man by the

name of John Law once tried to control an entire economy by himself. In absolutist France, Law found the perfect vessel for this one-man show. It worked for a few years, but led, ultimately, to the notorious Mississippi Bubble and the complete collapse of the French economy.

I would refer you to *The Ascent of Money* by Niall Ferguson as an excellent read, and one which will give you an interesting perspective into where the economy has come from in the last 400 years since the first stock market opened. It wasn't long after the first stock market opened, a few years, that people found a way to trade on futures, in which most of the great bubbles of the last 400 years have been created and have exploded, much the same as the housing prices in the United States, which was really trading on futures, the future value of homes.

I invite the minister to please learn more about John Law and the consequences of government interference in the economy, but for now, we have many questions about the budget, various financial records, the auto sector and many more issues going forward.

Despite our differences, I appreciate the minister's attendance here today, and I thank the committee members and staff for the opportunity to speak on behalf of the PC Party, my constituents in Halton and all Ontarians who would like to see this government held to account.

**The Chair (Mr. Tim Hudak):** There are about 12 minutes remaining.

**Mr. Ted Chudleigh:** Can I go right into questions?

**The Chair (Mr. Tim Hudak):** Please do.

**Mr. Ted Chudleigh:** Thank you. You're a wonderful Chair, by the way.

**Mr. Gilles Bisson:** But would he make a better leader?

**Mr. Ted Chudleigh:** When we started here, he was my vice-chair of the Standing Committee on Finance, so I trained him in this business, you see. I've got to take some credit for that.

I came here with a copy of Hansard in my hands from May 13, 2008. It's a transcript from last year's committee meeting with the Ministry of Economic Development. In it, there are 10 instances where Minister Papatello defers my questions and promises to provide answers at a later date. On top of that, there are 11 written questions which I submitted to Minister Papatello, which she also agreed to answer. Finally, I have a memorandum from the research officer of this committee, Mr. Ray McLellan, which lists all of the outstanding questions from the April 29, 2008, meeting of this committee. There are three questions of mine in that document. In total, your ministry owes me 24 answers.

Did your ministry receive this letter from the clerk of the committee in June of last year, asking that answers to deferred questions be provided as soon as possible? Did you receive that request?

**Hon. Michael Bryant:** Firstly, thank you, sir, for your question and for your diligence. I listened to your remarks closely. I'm not sure they were offered in the spirit

of us trying to make some improvement, but nonetheless, they were pre-written and read.

**Mr. Ted Chudleigh:** You understand politics.

**Hon. Michael Bryant:** That's right. We're in politics.

With respect to previous questions—Chair, look, I'm happy to look into what you've just raised, but I'm presuming we're dealing with 2008 estimates—

**The Chair (Mr. Tim Hudak):** I can see this. Minister, I appreciate your comments when you began, and you have conducted yourself that way, which I appreciate, when you've been before the committee previously.

You weren't minister at the time, but the Ministry of Economic Development and Trade was the only ministry not to fully respond to members' questions, and they are outstanding from May 5, 2008. If you could, I think it would support the work that the committee does if you could have someone within the ministry try to respond to those. We had eight ministries and that was the only one that didn't respond. Thank you.

**Mr. Ted Chudleigh:** I also appreciate your comments at the beginning, and from you personally. I take that at face value and I know you mean that. I will look forward to a different result this year.

I know the ministry people. I was privileged to serve there as a parliamentary assistant for some years, and I know that they would also endeavour to answer those questions. I think those questions weren't answered by the remaining source that was involved in that process. So I'll pass over the rest of those questions and thank you, Chair. We'll look forward to receiving those answers.

A few questions on reverse Reaganism: Where exactly will the \$2 billion of direct investment money, that you suggest that will be spent here, come from?

**Hon. Michael Bryant:** I understand why the member might not want to subject himself to a luncheon involving my remarks, so I don't blame the member for not being there. But had the member been there, he would know that I referred to the fund of funds particularly as those that are set out in the budget: namely, the Next Generation of Jobs Fund and the advanced manufacturing fund, the eastern Ontario economic development fund and the funds that exist within the Ministry of Research and Innovation and within the Ministry of Energy.

I'd say, though, that it would be a mistake to imagine that these arose in the economic crisis or in the recession. In fact, as a senior executive said to me about a major multinational yesterday, it was the Premier's foresight to put these funds aside. The Next Generation of Jobs Fund is the most recent one that I can think of, more than a year ago, and advanced manufacturing for several years. So the money that has been set aside is certainly set out in the budget and budgets past. We're obviously happy to dig up the exact numbers for you as for how much is allocated for each fund.

1000

**Mr. Ted Chudleigh:** So this money is already in the Ministry of Economic Development's budget? It doesn't



need further paperwork to take possession of it? You control this \$2 billion now?

**Hon. Michael Bryant:** No. When I said “fund to funds,” I meant it. The Next Generation of Jobs Fund: Most of it is administered by the Minister of Economic Development. Yes, dollars have been allocated there. Then, with advanced manufacturing, the same thing, and with the eastern Ontario economic fund, it is there. Other ministries also have the dollars allocated as well.

Do you want to talk about the allocation and when it was done, maybe, and so on, Deputy?

**Mr. Ted Chudleigh:** How much of the \$2 billion is in Economic Development?

**Mr. Philip Howell:** First of all, I think it should be viewed as funding that is available to support the types of activity the minister was talking about. It's not a single fund. In fact, the amount of support that the government has available to support economic and industrial development far exceeds \$2 billion. The \$2-billion number includes funding—all of this is money that's in the fiscal plan. None of it is new money, but it would include the Next Generation of Jobs Fund, which was announced a bit over a year ago. It would include funding that is still available under AMIS. There is still a small amount of money left under the automotive investment strategy. It covers a number of existing programs.

It would also include the \$250-million emerging technology fund, which was announced in this past budget and which is the responsibility of the Minister of Research and Innovation.

**Mr. Ted Chudleigh:** Thank you, Deputy. Can these funds be transferred from one of these programs—AMIS to the Next Generation or to auto strategy, or to emerging technology? Can it be transferred between funds, or is it designated? The total is designated?

**Hon. Michael Bryant:** Yes, there is—so you go to the Next Generation of Jobs Fund, and if the desire was, “You know what? I think I'm better off going to the advanced manufacturing,” you would then go over to the separate fund.

**Mr. Ted Chudleigh:** The Premier, in his comments in the last week, seems to be backing away from this process a little bit. Is this something that the cabinet has approved? Is the Premier onside for this program, or is this something that you're running a flag on?

**Hon. Michael Bryant:** He did announce it and it is in the budget. I did read the Hansard last week, and I blush, I say to the member, at his words of support. I understand that we're going to talk about how it's administered, and we should, but let's be clear: This is a fund that the Premier established in order to make us more competitive as a jurisdiction and to create more jobs in Ontario, and it has done that.

**Mr. Ted Chudleigh:** When the Minister of Finance was asked about this scheme, he listed investments made in companies in opposition ridings and dared us to denounce them. Isn't that the definition of pork-barrel politics? Exactly what can we expect from your plan?

**Hon. Michael Bryant:** No. I think you've created a new idea. It's called reverse pork-barrel politics. Pork-

barrel politics is supposed to be where you stick a whole bunch of goodies for the local riding and include it in an entire package and vote it up or vote it down. I guess reverse pork-barrel politics is where you don't put a whole bunch of goodies in one package; it's just one goody, and it goes to the benefit of the opposition parties. I know that the point the finance minister is making—and I'm ready to make it in about 29 minutes, if I get asked about it—is that when these projects were announced, MPPs stood up and said, “This is good for my community,” so to criticize the government for something that the member said was a good thing for his community, we consider to be hypocritical.

**Mr. Ted Chudleigh:** You always throw a bone out to the opposition; then you can do what you want in your own ridings. We used to go through that in other years with other governments.

I want to ask you a personal question, Minister.

**Hon. Michael Bryant:** Personal? Uh-oh.

**Mr. Ted Chudleigh:** A personal question, yes.

**Hon. Michael Bryant:** I'm taking the fifth, Mr. Chair.

**Mr. Ted Chudleigh:** Can you explain to us what qualifies you to pick the economic winners and losers in Ontario?

**Hon. Michael Bryant:** Mercifully, most of the work is done by the private sector in that a company that would come, say, for a Next Generation of Jobs Fund application would already show up with the support of private investors, which speaks volumes. The government becomes involved, but the executive council members, the cabinet ministers, do not get involved to even look at the application in terms of approval or not, until all the work is done by the experts.

The reason that there arguably needs to be a look at it at the end of the process, after the outside accounting firm has looked after it, after the due diligence team has looked after it, after the outside experts have looked after it, after the internal experts have looked at it—after all those discussions, then it comes up, as there needs to be some level of accountability for it. So it is there to say, “Well, this is the recommendation. That appears to be consistent with the government mandate.” That's the role that the politicians actually play. It is one of accountability; it is not one of lending expertise, and I think it would be a mistake to imagine that the politicians are acting as investors in their investing capacity, because we're not doing that.

**Mr. Ted Chudleigh:** Now that this program is well-publicized and well-known, why would any company who is not receiving a grant invest in Ontario? Surely, every new company that is investing in Ontario, the government cannot possibly afford to support. So why would I invest in Ontario if I'm not going to get a grant? Are we not eliminating the vast majority of new companies because of this policy?

**Hon. Michael Bryant:** This idea of subsidies chasing capital away, firstly, is counterintuitive, but more importantly has not proven out in not just this jurisdiction, but all jurisdictions. On the contrary, it's a magnet, because

even if the company doesn't end up qualifying for the grant or the loan today, it knows that it has a jurisdiction that is there to provide solutions for businesses and to expand the economy, as opposed to the jurisdiction that wants to put its head in the sand and pretend like the rest of the world is not making these investments, when they are.

**Mr. Ted Chudleigh:** I'd invite you to check out the success of Alabama.

**The Chair (Mr. Tim Hudak):** Folks, we'll have to conclude Mr. Chudleigh's remarks at this time. That is the full 30 minutes.

The custom in the committee, particularly around the opening blocks, is to defer so they get the full 30-minute blocks. Mr. Bisson, if that's okay with you, we will defer—

**Mr. Gilles Bisson:** We'll defer our entire time for this afternoon.

**The Chair (Mr. Tim Hudak):** So the third party will have their entire 30 minutes in the afternoon session. I remind members, minister and staff that we will resume at 3:30 back in this room, and we go until 6 p.m. for the consideration of estimates. We are on track to continue tomorrow at 3:30 p.m. and then the 26th again, the morning, because we have a break week from the House next week.

Folks, thanks very much. Minister and team, thank you very much. The committee is recessed until 3:30 p.m.

*The committee recessed from 1009 to 1535.*

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. We'll reconvene the meeting. We left it that the third party would have their full 30 minutes to start. I want to welcome back the minister and the staff from the Ministry of Economic Development.

Mr. Hampton, you have 30 minutes now to proceed.

**Mr. Howard Hampton:** Just so I'm clear, it will be 30 minutes, 30 minutes, 30 minutes?

**The Vice-Chair (Mr. Garfield Dunlop):** No. After you're done, the government will have another 30 minutes to respond to our statement this morning and yours this afternoon, and then we'll move into 20-minute rotations, starting with the government right after—

**Mr. Ted Chudleigh:** Starting with—

**The Vice-Chair (Mr. Garfield Dunlop):** No; I'm sorry. After Mr. Hampton does his 30 minutes, the government will have 30 minutes to respond. Then the official opposition will have 20 minutes, and we'll go in those rotations.

**Mr. Ted Chudleigh:** And we get 20.

**The Vice-Chair (Mr. Garfield Dunlop):** You only get 20, yes.

**Mr. Howard Hampton:** And we're done at what time?

**The Vice-Chair (Mr. Garfield Dunlop):** Six o'clock tonight.

**Mr. Howard Hampton:** I would prefer to ask some questions, and I hope we'll get short answers.

Every month, Statistics Canada produces a labour force survey which can be broken down by job classi-

fication. My question is this: Can you please provide comparative Ontario statistics from the labour force survey for manufacturing for the period July 2004 up till March 2009? It would be appreciated if the two sets of numbers, July 2004 and March 2009, could be supplied for the following regional CMAs: Hamilton, Kingston, Kitchener-Waterloo, London, Oshawa, Ottawa-Gatineau, Thunder Bay, Toronto and, finally, Windsor. If you do not have these numbers available, or if you have them only partially available, perhaps legislative research could help us come up with the numbers by the end of estimates, because I think these are very important numbers at this time in Ontario's history.

I just want to check some facts: According to the estimates book, \$327 million has been allocated to the ministry. Is that correct? So that is your operating budget—\$327 million.

**Hon. Michael Bryant:** Go ahead.

**Mr. David Clifford:** Three hundred and twenty-four thousand, excluding the statutory appropriations.

**Mr. Howard Hampton:** Three hundred and twenty-four million?

**Mr. David Clifford:** Correct.

**Mr. Howard Hampton:** All right.

**Mr. Philip Howell:** And then there are statutory appropriations that bring it to \$327 million.

**Mr. Howard Hampton:** Plus \$3 million in statutory appropriations. What's the nature of the statutory appropriations?

**Mr. David Clifford:** Those are the ministers' salaries and also bad-debt expenses.

**Mr. Howard Hampton:** Okay. There is also a line in the budget called "Operating contingency fund." Is that right?

**Mr. Philip Howell:** In the government budget? Yes.

**Mr. Howard Hampton:** And \$3.21 billion has been allocated in 2009-10 to this fund. I think that's correct.

**Hon. Michael Bryant:** Yes. You're referring to the—

**Mr. Howard Hampton:** The operating contingency fund in the government's budget.

**Hon. Michael Bryant:** Not within the Ministry of Economic Development.

**Mr. Howard Hampton:** Is it fair to say that most of the money that is allocated to this operating contingency fund will eventually be funnelled through your ministry's budget?

**Hon. Michael Bryant:** I wouldn't assume that. You're speaking of a contingency fund to which the finance minister is ultimately accountable. I think he'd be in the best position to answer it. I will endeavour to get the answer. I do believe finance is up next in estimates. I don't want to speculate.

**Mr. Howard Hampton:** Let me put it to you this way: One way or another, we're going to find out what that \$3.21 billion is for. I guess I can ask now. How much of it will be used as part of the financial assistance package that is provided to Chrysler and General Motors?



**Hon. Michael Bryant:** Again, I just don't want to speculate with respect to Chrysler, but we can certainly talk about the dollars that have been allocated, if you'd like.

**Mr. Howard Hampton:** Okay. The money that has been allocated to Chrysler so far: Has that been flowed through your ministry?

**Hon. Michael Bryant:** I'll let the deputy speak to that.

**Mr. Philip Howell:** No.

**Mr. Howard Hampton:** So it has been flowed through the Ministry of Finance?

**Mr. Philip Howell:** Yes, it's being flowed by the OFA to the federal government, to the EDC, who are acting as both the federal government and Ontario government's agent in terms of facilitating the support for Chrysler.

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**Mr. Howard Hampton:** So I just want to be clear: It's flowed through the Ministry of Finance—

**Mr. Philip Howell:** Yes, through the OFA.

**Mr. Howard Hampton:** —and then it flows to the federal government, which then flows it through to Chrysler.

**Mr. Philip Howell:** Using Export Development Canada as the agent, which is acting as the agent for both governments.

**Mr. Howard Hampton:** Since the minister, at least if we listen to the press reports, has been dealing most directly on behalf of the government with both Chrysler and General Motors—I assume the press reports are correct?

**Hon. Michael Bryant:** Well, you can assume my quotes are accurate to the best of my ability. I can't speak for the editorials, though. What, in particular, within the estimates, would you like us to clarify?

**Mr. Howard Hampton:** It seems to me that we've seen a number of different components of financial packages approved by the government that have gone to Chrysler. I would assume that your ministry has dealt with those, approved those and managed those in some way?

**Hon. Michael Bryant:** We've certainly been very involved, as the deputy was saying, for a variety of reasons, one of which being that the financial arm of the Ontario government—the name escapes me right now—was done away with by the previous government. As a result, the way in which money would be flowed is through the federal government through the economic development corporation. Technically, the dollars have been flowed through the OFA, which is not to suggest that myself, the deputy and the senior managers at the Ministry of Economic Development have not been very involved, obviously, in the disposition of this issue of the insolvency of Chrysler and General Motors.

**Mr. Howard Hampton:** Okay. So since you've been involved, I guess my general question is, can you identify the separate components of the financial packages that have been extended to Chrysler?

**Hon. Michael Bryant:** Sure. Why don't I let Deputy Howell speak about that—maybe chronologically, does that make sense?

**Mr. Philip Howell:** Support is being provided by both the provincial and federal governments—

**Mr. Howard Hampton:** I'm only interested in the provincial part.

**Mr. Philip Howell:** Okay. The money has been flowed, really, in three different ways. Part of the support is being flowed as interim financing to Chrysler before they went into bankruptcy. Part of the funding is helping to finance the joint Canada-US debtor-in-possession loan to Chrysler LLC—

**Mr. Howard Hampton:** So I want to be clear: Ontario is involved in debtor-in-possession financing?

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** With Chrysler?

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** Okay. That's the second part.

**Mr. Philip Howell:** And not all of this money has flowed yet, obviously. The debtor-in-possession financing will be parsed out, I believe, on a weekly basis, according to cash flow needs that would be filed in court, and the money would then be flowed. You don't just give a chunk of cash up front in a bankruptcy proceeding, so it's flowed out over time.

Then there's a third component of the support, which will be medium-term restructuring loans that will be flowed to the new Chrysler that will emerge out of the bankruptcy proceedings in the States—it's anticipated somewhere within 30 to 60 days of them going into Chapter 11 in the States, so somewhere in the June period.

**Mr. Howard Hampton:** Just a question: Ontario's involved in debtor-in-possession financing, but the media keeps saying Chrysler Canada is not proceeding through bankruptcy. How does that happen?

**Mr. Philip Howell:** The reason that we're involved in the debtor-in-possession financing in the US is that Chrysler in the US actually pays a lot of Canadian, and in fact almost all of them Ontario, suppliers. Because of the integrated nature of the industry, there's a tremendous number of US plants that use Canadian parts. The reason for providing the debtor-in-possession financing to Chrysler is to ensure that those payments continue, and they are continuing, as Chrysler is being restructured in the States.

So the Canadian loan—and when I say Canadian, I mean Canada/Ontario. We're all the way through this one third Ontario and two thirds Canada. The Canadian loan is to ensure, during this period, that Canadian suppliers continue to be paid, and in the case of suppliers, they'll be paid up until mid-June, so 45 days, the normal term, for parts that were delivered up to the end of April. So that's why we're participating in debtor-in-possession financing. It's to protect the Canadian industry.

**Mr. Howard Hampton:** Just so I'm clear, and I think the public would be very interested in this, the interim

financing was before the bankruptcy filing. I just want to be clear on that: before the bankruptcy filing happened in the United States.

**Hon. Michael Bryant:** Do you mean what we would refer to, probably, as the bridge loans? Is that what you mean?

**Mr. Howard Hampton:** The interim financing. I think some people said they were line of credit. So that—

**Hon. Michael Bryant:** Did dollars flow prior to the filing of Chapter 11? Yes.

**Mr. Howard Hampton:** Yes, I mean, I remember the Premier and the Prime Minister's announcement before Christmas. I would assume that dollars started to flow then, because we were told—

**Hon. Michael Bryant:** No.

**Mr. Howard Hampton:** No?

**Hon. Michael Bryant:** No. Actually, what chronologically took place, and you'll keep me accurate on the dates, is the commitment was made in December. The dollars did not flow in December. In fact, what happened is, I guess, the inverse of what the deputy just described. In other words, the financing was being provided by Chrysler, limited liability—what we might think of as US Chrysler—to the Canadian operations, and then at a certain point the US government and the US operations and the Canadian government and Canadian operations said, "Okay, now it's necessary," it's time or it's fair, "it's appropriate for the Canadian dollars to flow." And that took place in March—

**Mr. Philip Howell:** March 30, April 6 and then May 1.

**Hon. Michael Bryant:** It was in three tranches, I seem to recall. March 30 was—

**Mr. Philip Howell:** Five hundred million.

**Hon. Michael Bryant:** —five hundred million, and then April 6, \$250 million, and then May 1, \$250 million. So that—

**Mr. Philip Howell:** And those are total; you'd have to take a third of that.

**Mr. Howard Hampton:** May 1?

**Mr. Philip Howell:** Yes. You'd have to take a third of that to get the Ontario amount, so \$333 million.

**Hon. Michael Bryant:** And that was, in essence, the fulfillment of the December commitment made by the Prime Minister and the Premier.

**Mr. Howard Hampton:** So \$333 million, basically.

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** Then when did the debtor-in-possession financing start? The date of the filing?

**Mr. Philip Howell:** Yes. Well, it was agreed to. It's part of the filing. Most of that money has not yet flowed.

**Mr. Howard Hampton:** I understand. And Ontario and Canada agreed, I believe, to \$3.75 billion?

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** And Ontario's share of that is \$1.25 billion?

**Hon. Michael Bryant:** Yes.

**Mr. Howard Hampton:** But that has not started to flow yet.

**Mr. Philip Howell:** That's inclusive. That's the total support. That's inclusive of the interim funding, inclusive of the debtor-in-possession funding, and inclusive of the eight-year, medium-term loans that will be advanced to the new Chrysler coming out of—

**Mr. Howard Hampton:** So that is the total package?

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** We have to subtract from that immediately \$333 million, because that has already been advanced as part of the interim financing. So has the government decided yet how much of this is going to be debtor-in-possession financing and how much is going to be medium-term restructuring loans for the new Chrysler?

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**Mr. Philip Howell:** Yes, there is a limit on the debtor-in-possession financing. Whether all of it's required is going to depend on the length of time the US court proceeding takes.

**Mr. Howard Hampton:** What's the limit?

**Mr. Philip Howell:** It was \$1.45 billion of the \$3.775 billion.

**Mr. Howard Hampton:** What's Ontario's limit?

**Mr. Philip Howell:** Well, we're a third of that.

**Mr. Howard Hampton:** So a third of 1.45?

**Mr. Philip Howell:** It's just under 500; I think it's 487.

**Mr. Howard Hampton:** The figure again? It's important that you give me the figure, that I don't assume figures.

**Mr. Philip Howell:** Yes. Okay, let me just—actually, Ken, do you have that? I'll get you that. It seems to me it's 487.

**Mr. Howard Hampton:** And therefore the proposed total medium-term restructuring loans from Ontario will be?

**Mr. Philip Howell:** In total, the medium-term restructuring loans are \$1.16 billion for Canada, so we're in for a third of that.

**Mr. Howard Hampton:** What's that, about \$340 million?

**Mr. Philip Howell:** Yes, roughly. We'll get you the exact numbers—

**Mr. Howard Hampton:** Okay. If we could get the numbers some time by the end of this.

Just some other things. I guess I could ask questions about this all day long, and maybe I will. What are the repayment terms?

**Mr. Philip Howell:** On the loans, the repayment terms are the Canadian overnight deposit rate, which can go no lower than 2%. It can—that's the interbank lending rate; that's the Canadian equivalent of LIBOR, plus 500 basis points. So the minimum interest rate on the restructuring loans is 7%.

**Mr. Howard Hampton:** The minimum interest rate is?

**Mr. Philip Howell:** Seven per cent.



**Mr. Howard Hampton:** Now, what do you make of the federal finance minister saying he doubts that these loans will ever be paid back?

**Hon. Michael Bryant:** We certainly expect that the loans are going to be paid back from Ontario's perspective. I can't speak for the federal government, but from our perspective we do expect those loans to be paid back.

**Mr. Howard Hampton:** That's interesting. The federal government's in there for twice as much as you're in for, and they are saying there's no expectation loans will ever be paid back. That's a unique partnership.

**Hon. Michael Bryant:** That's your expert editorializing.

**Mr. Howard Hampton:** I think anybody looking at it would say that's a unique partnership.

**Hon. Michael Bryant:** To be fair, I wasn't there when Mr. Flaherty—

**Mr. Howard Hampton:** I'm not being critical. I'm just—

**Hon. Michael Bryant:** Fine. I wasn't there when the federal Minister of Finance allegedly said that. I don't know the context. I'm not sure. All I know is that there is an expectation that the loans will be paid back.

**Mr. Howard Hampton:** Okay. What is required of Chrysler in terms of employment levels, capital investment, maintenance of pensions, a footprint in Ontario?

**Hon. Michael Bryant:** Well, it's to keep it proportionate, and the proportion of 20% is—it's obviously going to end up being, by any measure, smaller today, next year and the next year as compared to a couple of years ago, but the basic nature of the agreement was that Canada was not going to participate in providing financial assistance, obviously, unless Canada was going to be obtaining a proportionate level of production.

The flip side of it was, if Canada didn't, then not just the risk but the likelihood would be that production would flow south of the border and that work would go with it. So it was an effort to try and find a proportionate amount to contribute by way of loan in exchange for a proportionate amount of the production.

**Mr. Howard Hampton:** But let's be clear. Virtually all of Chrysler Canada's production is in Ontario, is it not?

**Hon. Michael Bryant:** Oh, yes.

**Mr. Howard Hampton:** So it was to keep a proportionate amount of the overall Chrysler Corp. production in Ontario?

**Hon. Michael Bryant:** Exactly.

**Mr. Howard Hampton:** What is the proportion for Chrysler? Because it's a little bit different for each of the Detroit Three—no longer the Big Three.

**Mr. Philip Howell:** Maybe I can just elaborate on a couple of points. First of all, the production commitment the minister is talking about is actually a covenant in the loan agreements, and it's 20% of North American—which includes Mexico—Chrysler production. That actually is probably more protection for Canadian production

than would have been the case, since most of the data and numbers—

**Mr. Howard Hampton:** For Ontario production.

**Mr. Philip Howell:** Well, which is Canadian.

**Mr. Howard Hampton:** Yes.

**Mr. Philip Howell:** —than would have been the case in the way that people were normally looking at it in advance of this deal, which was the total of Canadian-Ontario production. A considerable amount of future Chrysler production will be in Mexico.

What that covenant has done is ensure that the new Fiat-controlled company that will emerge is committed now to producing at least 20% of North American production in Ontario, in the Brampton and Windsor plants.

**Mr. Howard Hampton:** You actually mention the plants?

**Mr. Philip Howell:** Well, no. They'll have flexibility, but what has attracted Fiat to the deal is the Brampton facility and the Windsor assembly—those are the only two assembly facilities that Chrysler has now in Ontario.

**Mr. Howard Hampton:** But you've got a commitment to both plants?

**Mr. Philip Howell:** Yes. Well, it's a commitment to 20% of North American production going forward—

**Mr. Howard Hampton:** But I'm being very specific. You could have 20% production in one of those plants, depending upon how small Chrysler-Fiat goes, right? I'm being very specific. Both plants are going to remain in production, both Brampton and Windsor?

**Hon. Michael Bryant:** Again—sorry, I turned this off because of the feedback—the covenant is the covenant, and it's 20%. How exactly, at any given time—given shifts on, shifts off, temporary suspension of shifts—that pans out is certainly something that we expect to fluctuate in the future for sure.

**Mr. Howard Hampton:** Okay. So that's production: 20% of North American production will stay in Ontario for Chrysler-Fiat, the new company. What does that mean in terms of employment levels? Is that spelled out in the covenants or anywhere else?

**Hon. Michael Bryant:** Well, it's going to depend on the Canadian Auto Workers Union; management; determinations as to, again, on a shift-to-shift basis, what is necessary; but also, it's going to depend on the productivity and the technology of the future as well, so it is going to be—

**Mr. Howard Hampton:** I accept all that, but is there a 20% employment guarantee?

**Hon. Michael Bryant:** It's going to be the case that with that 20% production, yes, comes jobs. There also comes the revenue from it, the economic activity—

**Mr. Howard Hampton:** I'm satisfied with the answer.

**Hon. Michael Bryant:** —and as well, obviously, the spill off—the parts that are being supplied to it. I'm sure the member wouldn't—in his chuckling—want to suggest that 20% of production isn't significant. It is.

**The Vice-Chair (Mr. Garfield Dunlop):** You have six minutes left in this round.

**Mr. Howard Hampton:** I just want to be very clear. You said that 20% of North American production of the new Chrysler-Fiat will be in Ontario.

**Hon. Michael Bryant:** Yes.

**Mr. Howard Hampton:** I want to ask you very specifically again: Do the covenants or the agreement also deal specifically with employment levels—in other words, 20% of the overall employment will be in Ontario—or does it not? If it doesn't say that, just say so.

**Hon. Michael Bryant:** No. I've tried to give you the best answer I can. In the circumstances, it's going to depend on agreements between the CAW and management. It will probably depend on a case-by-case basis how many employees are there at any given time, and as the member knows, the flexibility that's brought to employment is such that—I mean, personally, I have confidence that the CAW and management will be able to work that out and we will continue to achieve that 20% production.

**Mr. Howard Hampton:** Okay. Maintenance of pension: a big issue. Anything in the agreement dealing with pension funding?

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**Mr. Philip Howell:** Yes. Pension funding obligations are part of the normal course of business, and the agreement—or at least the undertakings of Fiat in the company that will emerge out of bankruptcy fully recognize their pension obligations and intend to fund those.

**Mr. Howard Hampton:** What about pension deficiencies?

**Mr. Philip Howell:** There are clear rules. There's certainly been some significant support given to pension fund managers by initiatives in the government's March budget to allow them to address the exceptional circumstances that have arisen from the financial market meltdown last year by extending the amount of time that solvency deficiencies can be repaired.

In the case of Chrysler, the pension fund was in pretty good shape and has been well managed historically. To be frank, you can't predict this, but I don't think the pension issue is something that will arise here.

**Mr. Howard Hampton:** Okay. Now, the other issue is this, and you alluded to this earlier: It's not just production at Brampton and Windsor. The big part of the footprint is parts. Anything dealing with parts?

**Mr. Philip Howell:** Again, what the agreements and covenants ensure is that suppliers will be paid in normal commercial terms going forward on the emergence of the new company. So their interests are protected in the context of the business, going forward.

**Mr. Howard Hampton:** But Chrysler, out of the Detroit Three, probably did the most outsourcing, looking over the last 15 years. Chrysler's probably done the most outsourcing of any of the Detroit Three. So for companies like Magna, which also have a significant footprint in Ontario, that's been important business. Are there any guarantees there?

**Hon. Michael Bryant:** Well, there is—and feel free to elaborate, but there is as well, of course, the accounts

receivable insurance that's established under the economic development corporation that has been in effect for some time, which addresses—albeit it's federal, because the federal government had the capacity to provide that accounts receivable protection. Otherwise, it was part of the agreement that they had to pay their bills to the suppliers.

You're absolutely right. This is an important part of the agreement, and it's a critical part of the industry. It could very well be that the size of the auto supply industry grows significantly as contrasted with that of the manufacturing industry itself.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got time for a quick question and a quick answer here.

**Mr. Howard Hampton:** So what about going forward, the parts footprint going forward?

**Hon. Michael Bryant:** The parts footprint?

**Mr. Howard Hampton:** Yes.

**Hon. Michael Bryant:** Well, I guess it ends up being—I'm sorry, I don't quite understand your question.

**Mr. Howard Hampton:** Well, as you said earlier, both Chrysler Corp. and Chrysler Canada obtain a significant amount of their parts from Canadian operations.

**Hon. Michael Bryant:** Yes.

**Mr. Howard Hampton:** Anything guaranteed by that in terms of the loan financing and the financing that Ontario has provided? Are there any guarantees going forward for Ontario's parts sector?

**Hon. Michael Bryant:** Well, I don't know if this is helpful, but certainly the very fact that you had the US and Canadian governments integrating the agreement between the company and the governments was a reflection of the fact that the Canadian auto suppliers were so important to the US industry for a variety of reasons, not the least of which is productivity and innovation. I expect that that will continue to be the case.

**Mr. Howard Hampton:** But there are no guarantees.

**Hon. Michael Bryant:** But this was financial assistance for two of the Detroit Three. The auto suppliers have not approached any government, and I don't anticipate that they will be approaching the government.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, that wraps up the third party's 30 minutes.

Minister, you have to up to 30 minutes to respond to any of the comments that have been made here this morning. Then we'll go into 20-minute rotations. So there will be no questions from the government members until we get into the rotations. The minister has up to 30 minutes now, though.

**Hon. Michael Bryant:** I want to thank the members of the committee who spoke over the last 60 minutes.

I think it's fair to say that while Mr. Chudleigh expressed an ideological or philosophical disagreement with the notion of governments participating in investments directly with businesses, I would say again that, regardless of that ideology, it is something that certainly other Conservative governments have participated in, with about as much enthusiasm as Mr. Chudleigh expressed, but nonetheless I think that's a reflection of



pragmatism trumping ideology, because the alternative would be that the Conservative-elected official would say, "No way. This is corporate welfare, nothing more, and I'm not going to participate in that," and risk the jobs in people's communities. When push comes to shove, the priority goes to the people, the businesses and the jobs.

It's in that sense that the ideological debate, the philosophical debate, Reaganism versus reverse-Reaganism, is trumped by pragmatism. You do see more demand-side economics today than you saw coming out of the recession in the early 1980s. The demand-side economics that took place under Reagan also involved an enormous amount of spending on the defence industry, but that's not what he's associated with.

To be fair, I think we've received a measure of support from the official opposition—or at least not opposition, and the member will have plenty of time to correct this if this is not the case—of the efforts to avoid the liquidation or otherwise failure of Chrysler and General Motors. There seems to have been a desire to put the workers and the companies ahead of politics, and I really think that is the right thing to do. It has also allowed the Ontario government and the federal government to participate with the US government where they weren't having to go to Congress, once the stimulus package was passed and once other legislative measures were passed, such that the administration could enter into these agreements. It meant that the governments of Canada and Ontario could come to the table and, with confidence, the US would know and the global headquarters would know that these weren't going to be agreements with an asterisk requiring either legislative approval or the avoidance of political opposition. So, as a result of that, it has meant that this extremely unusual economic shock prevention has taken place.

I want to emphasize again that in my own mind—and I'm sure this might be characterized differently—it is quite different from the Next Generation of Jobs Fund dollars that are extended to companies; it's quite different from the advanced manufacturing investment strategy dollars, the eastern Ontario dollars and so on. Firstly, the loans that were provided to Chrysler and General Motors were not through those programs. Secondly, they were provided with a view to avoiding the shock to the suppliers, the distributors and also the manufacturers that would come in the event of a rapid disorderly collapse in the middle of an economic recession. The extraordinary circumstances included the fact that the competitors of the recipients of this financial assistance did not object to this.

It's absolutely the case that Honda, Toyota and Ford said that any measures other than financial assistance cannot be anti-competitive. They did that for a variety of reasons, not the least of which is that Chrysler's suppliers and GM suppliers are the suppliers to those other companies as well: to Ford and Honda and Toyota.

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So in that sense, the auto rescue or financial assistance, whatever one might want to call it, was not an

assessment of the companies per se as to exactly what greater investment might come from it; it was a defensive measure in order to avoid that economic shock. We don't know what would have happened had governments not done that. It's useful to look at the international experience that most, if not all, of the other automobile jurisdictions at one time or another over the past six months have provided some form of assistance.

As negotiations go, there have been times where in certain jurisdictions the government backed away from providing dollars because they didn't feel they were getting the co-operation they needed. In North America, the way that took place was that a deadline was set for the end of March. When that deadline approached, the Canadian and US governments said, "We're not there, so we're going to extend the deadline 30 days to Chrysler," and that was done and an agreement was reached, "and 60 days for General Motors," and we are in the midst of that right now. That is a critical part of our economy, it's an important part of our economy, it's a significant part of our GDP and it extends far beyond the manufacturers themselves, as important as they are—to the distributors, to the suppliers and to the spin-off companies that come with it.

There are many more industries and companies that are in a position, through a variety of reasons, to compete in the current reset or recovery thanks to the position that they were in going into it and as a result of what's happened to their competition. Because the fiscal situation, federally and provincially, was sound heading into the recession, it meant that, for example, in Ontario, some dollars had already been set aside for the Next Generation of Jobs Fund and for the advanced manufacturing strategy and other similar funds to stimulate economic growth. If it had been necessary to create those funds, as was the case in the United States, where literally they had to be created right then and there except for TARP, which had been set aside around that time in the winter, primarily at the behest of Congress, then that would have been even tougher than the last budget was, in that the government did not have to create those economic dollars out of whole cloth.

Nonetheless, the United States has provided a stimulus that some have estimated in the nature of upwards of \$10 trillion, and that is in the name of stimulating economic activities in the United States. But that is a jurisdiction against which we are competing. Companies that are looking to expand look to expand in a way that lowers their costs and increases their profits, so they shop around. If there's a jurisdiction that can offer an economic incentive, then that's something that they're obviously going to look at. For Ontario to not participate in that bargain and not express a willingness to ante up dollars in the name of leveraging many more dollars—so, say, providing half a billion dollars in the name of leveraging \$2 billion. We can go through how the funds have panned out since 2003 in terms of what dollars have been leveraged, but it's certainly not one-for-one; it's significantly more than that.

Mr. Chudleigh mentioned—I found it quite interesting—that in his mind the dollars provided through these funds are the equivalent of filling a gap for jurisdictional shortcomings. There's certainly something to that. It might be seen in that way in this sense: There are some jurisdictions where the tax regime may be, on the face of it, better or worse than Ontario's. There are some jurisdictions where the health care coverage is not that of Ontario's. There are some jurisdictions in which the education system is not that of Ontario's, and so on down the line. I know of jurisdictions that literally offer up land and industry-ready zones. A supplier to a steel company indicated to me a couple of weeks ago, "I'm going down to such and such state, because they're going to give me a building." Ontario's means by which we try to incent companies and leverage more investments is done in a more systematic and accountable way, as opposed to, "How about a building to bring you in?" That's almost as much marketing as investment. I think Mr. Chudleigh may be on to something in the sense that this is, to a certain degree, about trying to level the playing field between different jurisdictions.

Frankly, one of the differences between jurisdictions that existed prior to the last budget revolved around taxation and, in particular, for those exporting companies that were being, in essence, hit twice—in any event, that is how they described it to me. Certainly, being right next door to Quebec, the advantage of Quebec with its harmonized sales tax system, versus Ontario, with the sales tax system we've had until now—it was not as export-friendly, and this becomes important at a time when it's particularly competitive and when we continue to be, not surprisingly, extremely export-oriented, with more than 60% of our economy, in terms of the GDP, based on exports.

Making the tax changes that were made absolutely makes Ontario more competitive and, in some cases, even more competitive than other jurisdictions, and that allows funds to be used in a way that I think expands the impact during a time of recession. I say that as a matter of fact; I don't say that as if there had been foresight in 2003 that this recession was going to land just when it did.

The wherewithal of having the funds in place—the Premier doing that—I'll certainly give credit where credit is due for that. But it is a fact that Ontario finds itself, in my view, in a particularly advantageous position right now, coming out of a recession, because it has these funds in place and it does so now in an increasingly competitive tax environment and, at the same time, where the government is undertaking extraordinary, by which I quite literally mean unprecedented, efforts to address the input costs.

So as managers sit down and make decisions about where they are going to expand so as to find themselves going from maybe the middle of the pack to the head of the pack at a time where there are some teetering giants and some disrupters who are able to jump ahead in the same way as eBay jumped ahead coming out of the dot-

com bubble, I do believe you're going to see companies jump ahead coming out of this recession here in Ontario. There are companies that have a footprint that might surprise people in terms of how significant it is globally and in terms of the products they put out, and the number of global leaders we have in Ontario.

The biggest challenge is not the idea that somehow the government can, magically or otherwise with that amount of money and with those funds, literally drive the global economy. It's rather where something comes down to a marginal call, a 52:48 call, for a head office to a subsidiary or from one company deciding what jurisdiction to go to versus another.

Do we have anything to bring to the table to strategically invest on behalf of taxpayers? If all the eggs had been put into the tax rate basket, then that flexibility would not be there. This does allow governments to say, on those 52:48 calls, "Okay, we are going to provide some financial assistance to lever additional investment." But it doesn't happen in circumstances where the company just shows up and says, "We've got a good idea. Would you like to invest in us under the Next Generation of Jobs Fund?"

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Once in a while a company does come and say, "Look, if you can provide us with the first 15%, we'll go out and get the other 85%." We don't do that. It's the other way around. Companies will come to us at the end and say, "We can go to Wisconsin or to California or to Florida or to British Columbia, or we can come here. They are offering the following incentives, and we want to come to Ontario for all these reasons. But it would be contrary to our fiduciary duty to our shareholders, or otherwise to our investors, for us to not seek some kind of investment to lever the investment." It's under those circumstances that these dollars flow.

Are there priorities? Of course there are priorities. They're set out in terms of the funds themselves. You can see the priorities that are set out in the funds in the research and innovation ministry. You can see, by virtue of the existence of an advanced manufacturing investment strategy, which has been in existence for longer than the Next Generation of Jobs Fund, a commitment to try to assist in modernization of the manufacturing industry.

What does that modernization mean? Well, it's technology, more often than not. In some cases, it is capital costs; in most cases, it's technology. As the technology changes and companies want to become more and more competitive, they seek to make those investments. Sometimes it's to expand a piece of their business: Whereas they were making widgets, now they make two different kinds of widgets. Maybe we can come back and get into some of the specific grants and investments that have been provided and what those companies have done with it.

The government also has to ensure that the balance sheet is such that it is a risk that is appropriate to take. A member of our Legislature, who I don't think meant to say this with attribution, so I won't say who it was, said



to me, "You know, I don't think you're using the funds right. I think you should be using it for riskier investments. You should be using it where no other bank would provide assistance." In terms of leveraging greater growth, there's something to that argument. The problem is, it's taxpayer money, and quite understandably we err on the side of ensuring, in the name of accountability, that these are good investments that are made by taxpayers. Are there going to mistakes made in the history of the allocation and administration of these funds? Yes, there will be, because there will be unforeseen events that take place, and that's obviously something a government becomes accountable for, whether it's foreseeable or not.

For example, the work that has been done over the past while by the Next Generation of Jobs secretariat and by the advanced manufacturing investment strategy group has been rigorous and does rely upon outside experts and does have a number of checks and balances in place. But the goal at the end of the day is to try, in some areas, to drive the economy, as I said. So with respect to green energy and the feed-in tariff, that would be an area where the government is driving an economy, and, yes, there are risks involved; the Premier has spoken to those. In other areas, it's not actually like the banking industry used to be, where at least Wall Street used to follow the economy instead of literally driving the economy, as Wall Street had done in the past in terms of the creation of these new financial instruments and the ascendance of the financial industry as an industry in and of itself instead of as a means to the end of supporting an economy, instead of creating what, from a financial perspective, included a number of illusory aspects of the economy.

The government is there primarily to provide that support. It's part of the solution. That means that in some cases the government is the lender of last resort. Government has not been in the debtor-in-possession financing business before, but in the absence of debtor-in-possession financing under Chapter 11 or CCAA, the alternative is liquidation, which is too much of a shock. Certainly that was the assessment of the government for Chrysler, and we're continuing to work very hard with General Motors to try to put together something that is sustainable and in the taxpayers' interest as well.

There is a significant amount of input on all this that comes locally. More often than not it is the local community or, obviously, local businesses or the MPPs—often the MPPs—who come forward to talk about what is happening in their constituency and saying, "I've been to this, I've met with the people, met with the workers, walked the shop floor, or the equivalent thereto, and I think this is a really good investment."

You hope that everything happens as it should happen, and I try to keep in touch with the member of Parliament so that we are able to inform them. Then, if an agreement is made, we always try—at least, we always make best efforts, I think, in every case that I've had an opportunity—to have the local MPP attend it. It's a good day because the company gets to expand and it has a new life,

in some cases. In the current reset, in the economic recovery, it's under circumstances where, again, that allows them to jump ahead in a way that they might not have done otherwise.

This is government being part of the solution. That's what it is. I know Reaganites don't like that, that governments are supposedly the problem and not part of the solution, but—but for this effort and but for these solutions being offered, in some cases of last resort—in some cases, quite strategically—that means the company goes elsewhere. There's a particular focus, from my perspective, on ensuring that for those companies in which that decision could go either way, the government's in a position, provided that it's in the taxpayers' interest, to ensure that we secure the investment, and secure it in a way that means more production, more economic growth, more jobs, and more spinoff jobs, in many cases.

The September opening of the new engine plant in Alliston happened a week or two into my new job. It tempered the fact that Lehman Brothers went down and the financial system was under way to collapse—not in Canada, obviously, Canada having a financial system that's been ranked by a number of objective observers as the best in the world. Certainly, the President of the United States has pointed to it as a great model. This is an instance where the government provided 10% of the \$150-million investment to build the 310,000-square-foot plant back in 2006. It was more than a \$2-billion investment in Ontario operations by Honda Canada, obviously very much to the credit of that workforce.

Two weeks ago, all of us in Ontario, I hope, celebrated the five-millionth vehicle manufactured at Honda's Alliston operations. Had the Ontario government not been there to make those types of investments, they would not have landed in Ontario. They would have gone elsewhere. There's no question about it. And that land would be I don't know what—vacant land—but it would not be—

**The Vice-Chair (Mr. Garfield Dunlop):** Potatoes.

**Hon. Michael Bryant:** It might be potatoes.

**The Vice-Chair (Mr. Garfield Dunlop):** It would be.

**Hon. Michael Bryant:** It would be potatoes?

**The Vice-Chair (Mr. Garfield Dunlop):** Oh, yeah.

**Hon. Michael Bryant:** The Vice-Chair knows and wants to confirm that it would be potatoes.

**Mr. Ted Chudleigh:** It's a great crop.

**Hon. Michael Bryant:** Well, it's a great crop. I agree.

**Mr. Ted Chudleigh:** At 2,000 bucks an acre.

**Hon. Michael Bryant:** Two-thousand dollars an acre is an excellent crop, just as I know the member agrees that a \$2.15-billion investment by Honda in this Ontario operations is also a good investment.

That has been taking place in a greater or smaller measure in this provincial government, in other provincial governments in Canada and in the United States for years and years. It is not a new phenomenon. I dusted off the Porter textbook. In 1990, he was talking about the wealth of nations and the role that government plays. It was not a driving role, it was an augmenting role that

participated in other parts of the economy. It was routine in 1990 at that time for government to be making investments directly into businesses, and doing so in a way to keep those businesses or lure those businesses in and also create an economic climate that is business-friendly. In the same way that venture capital follows venture capital, it is also the case that capital follows capital.

By the way, the retroactive reduction and eventual elimination of the capital tax was, I think, the second smartest tax move that the government made, according to Roger Martin—the capital tax, in and of itself, being, obviously, a disincentive to economic growth.

The economic environment gains a certain momentum and a buzz that allows innovative companies to start looking even more so at a particular jurisdiction. Just as venture capital communities grow out of an ecosystem of workers, thinkers, angel investors, second-stage investors and the commercialization of it, similarly, this is a manufacturing, mixed, growing and diversified economy, under circumstances with very favourable living conditions—extremely diverse, arguably more diverse than any other jurisdiction in the world. Our ability to, on top of that—just that extra—sometimes, literally—10% or 15% of an investment allows us to be even more competitive.

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Under the circumstances, we're making the changes that we are, and that's an economic policy. That is an approach. It is an approach apart from a fiscal approach, which focuses on the taxes, the costs and the revenue coming into the government. It's also an economic approach that looks to the various factors that are taking place other than purely the fiscal tools of the government, in terms of taxation and costs.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got about four minutes, Minister, to wrap up there.

**Hon. Michael Bryant:** Excellent. It's under those circumstances that—you can call it an activist, an interventionist, a jump-startist, leapsterism, reverse Reaganism. You can call it whatever you want. If you call it reverse Reaganism, I know you get the hackles of the Ted Chudleighs of the world up. It's actually intended not to do that, but rather to say that during the economic crisis, particularly one in which inflation was such a big part of it, under those circumstances the supply-side approach, rightly or wrongly, was taken and it worked. Under these current circumstances, I don't know many people who argue for a supply-side resolution.

As a result of that, he may have been right for that time, but for this time it's different. It's a different economic approach. It's demand-side. I like to call it McGuintynomics. I know Mr. Chudleigh won't want to do that. I don't know if Obamanomics is okay to him or just an interventionist, activist economic approach. But that's the approach that we've been taking, that certainly I am endeavouring to articulate, and most importantly, that we're looking forward to speaking about in the coming minutes and hours, as we go through the workings of the Ministry of Economic Development and the work that's been done by some people

I obviously should have said this at the outset, and will say it now in closing, because I just have a few seconds left: All of this that I'm saying is obviously on the shoulders of my predecessors, Minister Papatello and Minister Cordiano. The Premier and that economic team and the finance ministers put this together. I am here at this time endeavouring to articulate it and execute it, but this is very much a vision that is based on growth, only growth and nothing but growth. That's what I'm supposed to do every morning that I come into work, and I love what I do, Mr. Chudleigh. I love what I do.

I'm all done, Vice-Chair.

**The Vice-Chair (Mr. Garfield Dunlop):** Well, that was very good. You managed to do 28 minutes and a few seconds.

**Hon. Michael Bryant:** Beautiful.

**The Vice-Chair (Mr. Garfield Dunlop):** We'll now move over to the official opposition. Mr. Chudleigh, you get 20 minutes.

**Mr. Ted Chudleigh:** Thank you. Such a short period of time.

**Hon. Michael Bryant:** You'll get another 20.

**Mr. Ted Chudleigh:** I would love what I did too if I were sitting in your chair. I was parliamentary assistant in that ministry for some time, and it was one of the jobs in the government that I think I enjoyed the most. Great people to work with, and very exciting.

You mentioned one fact which I'd like to check. You mentioned that 60% of our economy is based on exports. Was that the correct number? I've always used a different figure, and I wondered if that number is correct.

**Hon. Michael Bryant:** Well, boy, I'm reluctant to have my number contradict your number. I'm going to double-check it. I don't have any notes in front of me, but I believe I'm taking it from the Martin Prosperity Institute. I'm taking it as a percentage of the gross domestic product.

**Mr. Ted Chudleigh:** Good. I want to say one thing: We could have a long philosophical discussion and use up all the time, but—

**Hon. Michael Bryant:** That would be great, from my perspective.

**Mr. Ted Chudleigh:** Yes, I'm sure you'd enjoy it.

I'm not necessarily a big supporter of Reagan and Reagan economics. Reagan only managed one side of the equation. He didn't control costs and that caused huge problems in the American economy, so my hackles don't necessarily go up when I hear you talking about him. Now, if you're talking about reverse Reaganism, I suppose you could conjure up some system that would work, but you'd have to control both sides of the economy, and I don't see you doing that.

In your opening remarks, I heard you making comments that I would have been more comfortable with than the comments you made at the lunch last week. You didn't say this, but I think you almost said that you were of the opinion that you would hold your nose and go ahead and support this industry. I don't know if that's exactly what you said, but you seemed to be hedging



your comments, that you were supporting the auto industry in order to avoid bankruptcies and sudden, huge shifts in that sector. I think I've already said that I would agree with you on that, in that it was necessary, however unpleasant. I think that perhaps it would be more unpleasant to me than it was to you.

I ended my last questions by saying that having companies in Ontario that were supported by the government created an unlevel field, a field where there were some companies supported and some companies not. Under this scheme, for the businesses that were not subsidized, would their corporate tax dollars not be used in some small way, working through the system, to subsidize those companies which were supported with government funds?

**Hon. Michael Bryant:** Firstly, just on the nose-holding front, I'm not a nose-holder. If I've got to pinch my nose, then I'm not going to do it. You didn't put yourself through the agony of sitting through a speech by Michael Bryant, I would hope, I say to Mr. Chudleigh, so you're talking about something you heard by hearsay. I certainly didn't make a nose-holder comment. We're very proud to be supporting the auto industry. It's a big, big part of our history and our economy.

On your question of how to use tax dollars and whether it would be better done in some other fashion: I would just say that but for the investments made by the government, the assistance with the investments, the loans made, the augmentation of the investments, there would have been a net loss to the economy, under the circumstances, when the company departs from the jurisdiction.

The level of activity in this economic approach, in terms of the provision of grants and so on—it has not developed, or devolved, depending on your perspective, to the point where it is akin to a procurement process. Sure, you'll have companies that are competitors that are bringing forward particular projects. But each project, in most cases, is particular to the company. I have never been in a situation where we were asking, "Are we going to invest in this company at the expense of that company?" No, that has not happened. I'm not saying that will never happen. But the nature of the program to date has been that competitors bring their own project to the table.

One of the reasons that the information is not released to the public under circumstances where it is a successful application is because of the commercial sensitivity, not just associated with the fact that they're applying, but also with the details in the program itself, which speaks to the competitive nature.

It is the case that more than one widget-making company will come to us and seek an application under one grant or another, but each one is addressed on its own merits, and the capacity of one versus another to bring its own is unique to that company. So, in that sense, I don't think that has applied, at least at this stage in the approach that has been taken to date.

**Mr. Ted Chudleigh:** I'll give you an example in a few minutes.

Given that I've lived through a lot of years, perhaps 35 years, of governments subsidizing businesses, and watched, sometimes from a very close perspective, how that process works—sometimes it doesn't work very well, and sometimes it works okay.

I could give you the example of the Ontario frozen food industry, which was subsidized by government in the 1950s. Without that subsidy, we wouldn't have had the frozen food business locating in Ontario to the degree that it has. I think, overall, that was a fairly successful program, although it went on far too long. We needed to establish three or four companies in the 1950s. The companies that were established in the 1960s and 1970s, and even into the 1980s, when one plant was built with subsidized dollars—I don't think it was a wise use of public funds because industry was already well established. The private sector could have picked up that production.

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But given the history of government subsidies, how will your government avoid the politicization of the process and avoid the fact that this \$2 billion, even a minor part of the \$2 billion, would become a giant slush fund that would put to shame the year-end spending fiasco that you had a couple of years ago when the Toronto Cricket Club got \$1 million? How do we avoid those kinds of repetitions in the future?

**Hon. Michael Bryant:** Two things: a rigorous process at the front end and an audit at the back end. It is absolutely the case that the success of the program and the reputation of the program are driven by its business success.

**Mr. Ted Chudleigh:** Will that be transparent and in public?

**Hon. Michael Bryant:** Yes. This is the reality of the process and how it works. Do you want us to go through, say, the Next Generation of Jobs process?

**Mr. Ted Chudleigh:** I don't think it's necessary.

**Hon. Michael Bryant:** We'll get there in a bit. But I take your point, and it's important to the success of it, firstly because it's taxpayer dollars, and secondly because the reputation of the jurisdiction demands that people know that when they apply to the program it's going to be based on the merits of the application and not on something else.

**Mr. Ted Chudleigh:** The transparency and the public nature of it is good assurance. I can only hope that it happens.

I said that I was going to provide you with an example. One that's near and dear to your heart, I know, is the money that was invested in Roxul in Milton, a town that I'm familiar with and very close to. That money built a warehouse. I think there was some publicity around that warehouse providing some export potential for the company. I would draw to the minister's attention that I think almost all of Roxul's exports come out of their Vancouver plant, not the Toronto plant. That warehouse that they built was a great advantage to the company. In producing Roxul insulation, you start up a furnace and

operate it at very high temperatures. The start-up and shutdown periods are very expensive, so the longer you can operate it, the better. This warehouse gave them the opportunity to smooth out their peaks and valleys over the year's production and provide for a more viable production.

There's also a pink-fibreglass insulation company in Georgetown which has exactly the same problems, exactly the same marketing conditions that they have to meet, and they are now operating without any government assistance. So the government has injected themselves into the insulation marketplace, giving an advantage to one company and disadvantaging the second company. The second company operates profitably, pays taxes to the Ontario government, and a portion of those tax dollars they paid to the Ontario government went to subsidize warehouse construction of their competition in Milton. That is the problem that I have with the government injecting itself into the private sector. I wonder if the minister could comment on that.

**Hon. Michael Bryant:** Yes. I don't accept that it's a zero-sum equation like that, but if one's going to do that, I guess you could apply it to any circumstance; you could say that money that is being invested in one good cause is money taken away from another good cause. That is just not necessarily so, in that they can both be good causes equally deserving of the dollars and there are programs and processes in place to determine whether one gets it. My point before was that they were not circumstances in which the company in Georgetown was in competition with Roxul. You're not suggesting that Roxul ought not to have gotten the investment, presumably?

**Mr. Ted Chudleigh:** I'm asking you the questions, actually, Minister.

**Hon. Michael Bryant:** Okay, but I would just say that this company in Georgetown—I have no idea if they applied to the jobs fund, but there's absolutely no reason why they wouldn't and couldn't be applying to that jobs fund for the same investment or a similar investment to it.

I understand that we can do that with the tax system, and in particular we do that when we're in opposition. I get that. That money could have been spent differently. We said to Hydro One with respect to their yacht, "You could have been putting that money into something else." I understand that. I did that as well.

Under these circumstances, there are a number of areas in which the government provides services universally, and there are a number of areas in which the government provides incentives universally around tax credits, tax deductions and so on. There are some areas where governments engage in strategic activity. In this case it is with respect to the direct investments. It does not put one company at a disadvantage over the other, but it does mean that if one company chooses not to access those dollars, then that's their choice, but that doesn't mean that it's not available to them.

I see it as a distinction without a difference, and I think it would not be accurate to say that the current

process, as it now operates, is one which quite literally provides a competitive advantage to a particular company within a particular sector versus another, certainly within a geographic space. If the member has examples of, say, the Georgetown company getting a no and Roxul getting a yes and you just can't explain and you'd like me to explain why that happened, that would be one thing. But you're not saying that, and I just can't believe that you don't support that Roxul investment. I know you do, Mr. Chudleigh. You must.

**Mr. Ted Chudleigh:** I don't support the concept. If you're going to spend that money anyway, and you spend it in Milton, all well and good, but I don't support the concept. The example that I would give you is that the former Liberal government under Premier Peterson gave a rather large grant to Husky Injection Moulding, and at the same time Mold-Masters was asking for a similar grant. Mold-Masters was turned down. Husky received the grant. Husky has grown into a world supplier. Mould-Masters, on the other hand, has had all of their growth offshore. They still live in Georgetown and the company is still owned in Georgetown, but all their growth has happened offshore because they were ignored by the Ontario government. I suspect there will be other examples of that if the government continues down the road of supporting the winners and ignoring the so-called losers.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Chudleigh, you've got five minutes in this round.

**Mr. Ted Chudleigh:** Thank you, Mr. Chair.

I guess that's my next question: Why would people who are not being subsidized—I gave the example this morning of a loser, H.J. Heinz Co., which went bankrupt in 1888. If it existed today, it would be a loser and turned down, and it has become one of the most successful multinational food producers in the world. Somebody who has difficulties on a balance sheet at the current time may turn into a real loser or a real winner. What would the government do to keep those people in Ontario when they haven't received any government subsidy? I'm suggesting that the business environment for a company operating in Ontario would be the true criterion of keeping someone operating in Ontario. That's what will create the opportunity for people to create a business in Ontario and to grow that business in Ontario, regardless of government action.

**Hon. Michael Bryant:** First, the short answer is risk management because it's taxpayer dollars, so we have to assess the balance sheet. I understand that you're expressing ideological concerns and so on, but businesses demand, call for and support these programs. Businesses are able to use them to enhance the economic activity of their company. I know that some commentators don't like what I'm talking about, but as you said, governments have been doing it for more than 30 years, including the frozen food industry, number one. Number two, businesses are supportive of this. Why? Because it assists this jurisdiction to be highly competitive with other jurisdictions. That is the state of the economy right now. The



existence of a form of grant or subsidy or incentive has been around, I'm sure the archaeologists would tell us, for centuries and centuries. Today, it finds itself in different forms, one of which is these types of jobs funds. The key is to ensure that everybody gets fair access, that it's an appropriate use of taxpayer dollars, and you have to have a process in place that is defensible and accountable to the public.

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**Mr. Ted Chudleigh:** Okay. Moving on to the automotive area, I think I heard your deputy or yourself say that the parts suppliers were paid on a 45-day basis, the 15th of the month for deliveries of the past month. Is that still in effect? Is that what I heard you say? Are parts suppliers still being paid on that 45-day schedule?

**Mr. Philip Howell:** As far as I know. I mean, that question was in the context of Chrysler.

**Mr. Ted Chudleigh:** Yes. And is that true for the rest of the parts industry, like General Motors?

**Mr. Philip Howell:** I don't know.

**Hon. Michael Bryant:** I'm not sure.

**Mr. Ted Chudleigh:** Okay. You haven't been down the General Motors road just yet?

**The Vice-Chair (Mr. Garfield Dunlop):** Two minutes, Mr. Chudleigh.

**Mr. Ted Chudleigh:** Equity in Chrysler: You took back some equity in Chrysler. Can you expand on what that equity is and what form that equity took?

**Mr. Philip Howell:** Well, it's common equity, but it will be common equity in the company that emerges from bankruptcy. It's not equity in the old Chrysler.

**Mr. Ted Chudleigh:** So you'll be a shareholder? Is that—

**Mr. Philip Howell:** Yes.

**Mr. Ted Chudleigh:** Preferred shares or common shares?

**Mr. Philip Howell:** No, common equity.

**Mr. Ted Chudleigh:** Common equity. So if Chrysler fails, the taxpayers of Ontario have lost their money.

**Mr. Philip Howell:** And if they succeed, they've got some upside.

**Mr. Ted Chudleigh:** So you're taking a risk with taxpayers' dollars.

**Hon. Michael Bryant:** Oh, there's no question that there are risks that come with any attempt by a government to provide financial assistance.

**Mr. Ted Chudleigh:** Was there any consideration of taking back some real property or some asset that could be—was that on the table?

**Hon. Michael Bryant:** You mean by way of secured—

**Mr. Ted Chudleigh:** By way of security. Instead of taking back the shares, could you have taken back some land, something that, regardless of what happened, you could have sold in the future? Was that on the table?

**Mr. Philip Howell:** The equity is in the new company. That type of security was on the table with the old company, in terms of loans that were advanced in the interim financing. In the context of the new company,

what the equity investment provides is the possibility of playing in the upside potential of the company. It also gives Canada one seat on the board of the new company that emerges, and gives a far better opportunity to be on top of the progress as the company moves forward—

**Mr. Ted Chudleigh:** Does Ontario have any input into who that person on the board might be?

**Mr. Philip Howell:** Consultation; the federal government will appoint. Again, the 2% equity is in the same two thirds/one third—

**Mr. Ted Chudleigh:** Government consultation—that gives me all kinds of faith.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you, gentlemen.

**Hon. Michael Bryant:** No, Mr. Chudleigh, I think that it will be a consensus. I mean, look, technically, it will be consultation but it will be a consensus appointment. I don't think it will be somebody that anybody could—

**Mr. Ted Chudleigh:** I'd recommend Mr. DesRosiers.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much, Mr. Chudleigh and the official opposition. We'll now go to the third party for 20 minutes.

**Mr. Howard Hampton:** I just want to go over some things that you covered in your comments and that I think Mr. Chudleigh discussed with you as well.

The rationale for the Chrysler investment was the sense that this was going to happen in the United States. The Obama government was going to provide debtor-in-possession financing and other financial assistance, and if Ontario and Canada did not get on board, Chrysler could continue to operate in the United States but wouldn't operate in Ontario. Is that correct?

**Hon. Michael Bryant:** You know, I don't think that that—in terms of the chronology of it, actually, when the Ontario government began discussing support for financial assistance, it was initially in a context when President Obama had not yet been elected, and then when he was President-elect. President Bush was saying in November, "TARP money is not available for auto." Congressional leaders were saying the energy money was not available. So, in fact, Canada was, if you like, leading the argument for providing assistance at the beginning, and certainly the fact that the United States then agreed to participate in all that I think made the argument even more persuasive, that assistance was necessary. But that certainly wasn't the order of things, from my perspective.

But you're right to say what you said about the reality that had Ontario not participated, there was an extremely high likelihood that that would have meant no more auto manufacturing in Ontario for Chrysler.

**Mr. Howard Hampton:** And the loss of many thousands of jobs—

**Hon. Michael Bryant:** Yes.

**Mr. Howard Hampton:** What are the penalties if the terms that have been set out in the Chrysler agreement are not met?

**Mr. Philip Howell:** They'd be in default under the terms of the agreement and the loans could be immediately repayable.

**Mr. Howard Hampton:** Okay. Those are the only penalties?

**Mr. Philip Howell:** Yes, essentially.

**Mr. Howard Hampton:** So you can call in the loans. Perish the thought, but I can't help going back to what the federal minister said. He said that he doesn't ever expect that the money will be repaid. What then?

**Hon. Michael Bryant:** I spent a significant amount of time dealing primarily with Minister Clement and some with Minister Flaherty. It was our ongoing assumption that these were loans that absolutely would be paid back. That's why some people in this room spent a lot of hours trying to get together an agreement that was in the best interest of taxpayers. This is a loan.

**Mr. Philip Howell:** Minister, if I can just expand on that, it might be useful for the committee to understand that under the terms of the plan that the US Treasury has put forward, and the conditions of the loans for Fiat coming out of the bankruptcy, Fiat cannot take control of this company until all the loans are repaid. So there's a very strong incentive in this deal for Fiat to repay those loans, and perhaps to repay them before the eight years are up, assuming that they ultimately—and every indication from conversations that their executives have had with both governments is that they want to assume control of the company and run the new company. They cannot do that until all the loans are repaid.

**Mr. Howard Hampton:** I want to get some more details on Ontario's equity position. As I understand it, Ontario and Canada together have taken how much equity?

**Mr. Philip Howell:** About 2%.

**Mr. Howard Hampton:** So what's Ontario—

**Mr. Philip Howell:** So we have 0.7, roughly.

**Hon. Michael Bryant:** Two thirds of—

**Mr. Howard Hampton:** So one third of 2%?

**Mr. Philip Howell:** One third of 2%, yes.

**Mr. Howard Hampton:** Okay. What role does Ontario play in choosing the Canadian appointee to the board?

**Hon. Michael Bryant:** The legal language we can talk about exactly, and I think it's consultation. But I would be very surprised if it's anything other than a consensual appointment, one which we agree with. There will be a list of people and then there will be an agreement on that list. I anticipate that it's going to be somebody with experience in the field as opposed to association with the Legislature or—

**Mr. Howard Hampton:** So you're saying that this hasn't been determined yet? This is still up for—

**Hon. Michael Bryant:** Who it is? Oh, absolutely, yes.

**Mr. Howard Hampton:** And the criteria by which they'll be selected hasn't been—

**Hon. Michael Bryant:** I'm not sure if—

**Mr. Philip Howell:** They'll be independent, i.e., they will not be government people; they will be business people or a business person.

1700

**Mr. Howard Hampton:** But you haven't agreed on who it is?

**Hon. Michael Bryant:** No.

**Mr. Howard Hampton:** And you haven't agreed on the criteria by which they will be selected? That matter is yet to be determined? Is that correct?

**Hon. Michael Bryant:** Correct.

**Mr. Philip Howell:** Again, just to clarify, the board we're talking about will be the board of the company that emerges in 30 to 60 days from the bankruptcy proceeding. There's no board that we have a right to have anyone on at the moment. It's the board of the new company—

**Hon. Michael Bryant:** A future board.

**Mr. Philip Howell:** Yes.

**Mr. Howard Hampton:** I wonder if we can turn to General Motors for a minute. When the announcement was made before Christmas, it was financial assistance for both Chrysler and General Motors. As you've pointed out, Chrysler received interim financing. Then it received the—well, it hasn't received it yet, but the debtor-in-possession financing has been outlined and agreed to, although I gather hasn't been advanced. Then there's the medium-term restructuring loans. What money was advanced to General Motors and under what rubric or what concept was it advanced?

**Mr. Philip Howell:** Okay. I think there are two things here that are important. There was interim financing that has been flowed to General Motors. In terms of all of the other financing—

**Mr. Howard Hampton:** How much was that?

**Mr. Philip Howell:** Canada and Ontario was up to \$3 billion. The Ontario share that has flowed already—Ken?

*Interjection.*

**Mr. Philip Howell:** I believe it's \$750 million. So our share would be \$1 billion of the \$3 billion of interim financing that was advanced to General Motors—

**Mr. Howard Hampton:** That money has all been advanced?

**Mr. Philip Howell:** No. At this point, \$750 million of the Ontario share has been advanced. What's going to happen going forward is very much the subject of negotiations right now involving the governments, the companies and the unions. The form and shape that any future support will take has not yet been determined.

**Mr. Howard Hampton:** So we're not at the point of debtor-in-possession financing because we're probably about two weeks short of that.

Of the money that's been advanced to General Motors so far, were there terms and conditions for that money? And what were they?

**Mr. Philip Howell:** Yes. Essentially, the money has been advanced to allow General Motors to continue meeting their ongoing business obligations, and that's the primary purpose of the interim support. That covers all normal payments to suppliers, contributions to pension



plans and so on. All of their normal, business-as-usual obligations are eligible for those. That's what the funds are being used for.

**Mr. Howard Hampton:** I take it that certain things, then, are not permitted?

**Mr. Philip Howell:** Yes. There are a range of exclusions around executive compensation, against transfers offshore, against payments to the parent company and so on. Yes, there are exclusions. It's really normal business—the way to think of it is, I think, covering what you would expect a company that was operating in a normal financial condition—

**Mr. Howard Hampton:** Well, you want to be careful with some of these normal operating procedures.

**Mr. Philip Howell:** No, no. I was going to say except that there are limitations in terms of executive compensation and distribution of funds to shareholders, which, in this case, is the US parent that owns GMCL 100%.

**Mr. Howard Hampton:** Were there repayment terms on this interim financing?

**Mr. Philip Howell:** There is an interest rate. Ken, can you—

*Interjection.*

**Mr. Philip Howell:** I believe it's the same as—actually, it probably isn't LIBOR. It's probably the Canadian overnight rate, which is the equivalent of LIBOR plus 5%. So it would be a minimum of 7%.

**Mr. Howard Hampton:** How much time do I have left?

**The Vice-Chair (Mr. Garfield Dunlop):** You have exactly eight minutes left. Then we're going to have a two-minute washroom break.

**Mr. Howard Hampton:** I want to move on to something else, something I personally found rather puzzling. At about the same time that it was announced that Chrysler was going into bankruptcy—and the government, as you've indicated, has come forward with debtor-in-possession financing—AbitibiBowater and its subsidiaries, Bowater and Abitibi-Consolidated, announced that they were going into bankruptcy proceedings. Is Ontario participating in that financial restructuring in any way?

**Hon. Michael Bryant:** No. Again, certainly the competitors of AbitibiBowater would have taken issue had the government done that. Secondly, financing was obtained by AbitibiBowater.

**Mr. Howard Hampton:** Financing was obtained by AbitibiBowater?

**Hon. Michael Bryant:** You referred to debtor-in-possession financing for them?

**Mr. Howard Hampton:** Yes. You're aware the government of Quebec has participated to the tune of \$100 million of debtor-in-possession financing with the Abitibi-Consolidated subsidiary. Abitibi-Consolidated has significant operations in Ontario, and by the last count, I think, probably has about 3,000 employees in Ontario. One of the rationales given by the government for participation in the Chrysler debtor-in-possession financing was to sustain jobs. Why would the govern-

ment not participate with AbitibiBowater, considering it has a significant footprint in Ontario in terms of production and in terms of jobs?

**Hon. Michael Bryant:** Firstly, I think it would be a mistake to think that the government provided DIP financing for Chrysler during Chapter 11 for the sake of providing DIP financing. In other words, the means to the end of providing financial assistance was a variety of sources, and one of them included DIP financing.

The government of Ontario is not in a position to provide DIP financing outside of extraordinary circumstances—this being the only exception I'm aware of. The economic development corporation is in a position to do so—not in every circumstance, but it has greater flexibility to do that. Again, you have a situation where the auto industry literally was in consensus as to the need for this assistance, whereas I would have thought that the competitors to that company would have taken great umbrage had financial assistance been provided to it.

I will leave it at that.

**Mr. Howard Hampton:** It seems to me the situations are analogous. The Quebec government has provided \$100 million of debtor-in-possession financing to the Abitibi-Consolidated subsidiary. We talked with officials in Quebec and they said, "Look, there are thousands and thousands of good jobs here, and we feel it's the role of government to help reposition this company and sustain these jobs."

If I follow the rationale that you gave, Quebec has extended debtor-in-possession financing, which, as I understand the bankruptcy laws, then gives them almost super-priority over equity holders, debt holders, bond holders. So Quebec will be at the decision-making table when it's decided what mills are closed, what mills are sold and which ones are kept in the restructured company, much the same rationale that the Ontario government recognized with Chrysler. You wanted to be at the table and you wanted to ensure that 20% of the production and roughly 20% of the jobs stayed in Ontario.

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If it's good for Chrysler Canada and it's good for Ontario to participate in Chrysler Canada, wouldn't it also be good to ensure that the AbitibiBowater footprint is sustained in Ontario and the thousands of good jobs that go with it are sustained in Ontario?

**Hon. Michael Bryant:** Two things. Firstly, to be fair, I should provide more information to the member with respect to assistance that's been provided to AbitibiBowater over the years by the Ontario government, but I'll need to consult with my colleague to get those details from the Ministry of Natural Resources. I'm not sloughing it off to that ministry. I'm just saying I'm going to have to get back to you to give you a fuller answer.

Secondly, again, while there's no question that the assistance that was provided to Chrysler and potentially to GM, to two companies, with the covenants around the supply—the economic assistance provided to those two companies amounted to assistance to stop the complete collapse of an entire auto industry, as opposed to, ob-

viously, the massive challenges being faced by an individual company. In that sense, there would be one distinction, and then the other distinctions I don't need to repeat—complete consensus within the industry. You don't have consensus within the industry you speak of. Also, we have right now a situation, as you describe, where in fact there is assistance at this time that appears to have been advanced to AbitibiBowater.

I do want to make sure I have all the information that I can get on it, and so I'll have to undertake to follow up to give a fuller answer on that.

**The Vice-Chair (Mr. Garfield Dunlop):** Mr. Hampton, you have just a quick question and answer. Just a minute left.

**Mr. Howard Hampton:** In fact, I think you'd probably find that there would be consensus around AbitibiBowater too, because the sawmills that ship their chips to AbitibiBowater need AbitibiBowater to survive. Otherwise, they have nowhere to send their chips, and if they can't sell their chips, then their economics go down the drain and they close. So there are literally dozens of other companies, some of them big, some of them small, who, just like the parts manufacturers, would be saying, "Do this," because it's not just the 3,000 or 4,000 jobs in AbitibiBowater; it's the 5,000 or 6,000 jobs that feed into this or that take off from this.

I just find the government's rationale for the one very convincing. I agree that the government should be there at the table with Chrysler and help in the restructuring and sustain those jobs. But it seems to me that if it makes sense with respect to Chrysler, it also makes sense with respect to AbitibiBowater. I can tell you, I don't think the Quebec representatives are going to be saying, "Keep the mills open in Ontario," just as the US congressmen wouldn't have been saying, "Keep Brampton and Windsor open," in terms of Chrysler. They'd be saying, "Keep the van plant in St. Louis and keep the car plant in Delaware," or wherever it is.

I find the differing approaches of the government really hard to reconcile here. Maybe you can reconcile it for me.

**The Vice-Chair (Mr. Garfield Dunlop):** We're out of time in the questioning now. You can maybe bring it up again—

**Hon. Michael Bryant:** Yes, I will follow up.

**The Vice-Chair (Mr. Garfield Dunlop):** We're going to recess for about three or four minutes, and we'll be back. We'll go to the Liberals for 20 minutes and we'll clean up with the Conservatives today for another 20 minutes. Okay?

*The committee recessed from 1715 to 1721.*

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, we'll reconvene the meeting and we'll immediately start with the government. Mr. Naqvi.

**Mr. Yasir Naqvi:** Where to start? I've got so many questions here.

Your ministry, I think you explained, has gone through its third incarnation and it's a little less than a year old. Can you describe to us what the new ministry's mandate is, please?

**Hon. Michael Bryant:** Sure. Going back prior to 2003, it's had different iterations as well. Monte Kwinter used to be a minister for economic development and international trade in the 1980s. I can't speak much to the 1990s. I'll say that it was started in the traditional format of economic development and trade. Then particular focus was brought to particular areas of the economy that needed that focus, and with it the heft of experts and professional civil servants that come with it and the energy that comes with it. That brings an attention and just time to international trade, for example, to the international marketing that takes place, to research and innovation, to small business, separate and apart from the work done within the Ministry of Energy, separate and apart from the work done within the Ministry of Finance. So most domestic business-facing solutions done within the government are undertaken primarily through the economic development ministry as a lead, which is not to say that other ministries are not participating. They are, crucially so.

Number two, in addition to the Ministry of Finance, all economic ministries participate in the articulation of our various strategic priorities. The administration of the funds already spoken to is a significant part of the job. So to a certain extent Minister Papatello, with companies that she may be interacting with for the first time overseas or in the United States or otherwise internationally, will then connect them to the Ministry of Economic Development or the Ministry of Research and Innovation to explore whether or not funds or loans are appropriate.

And addressing domestic—i.e., Ontario—business issues, so that if there's a company in the province that wants to talk about their future, whether it be with respect to funds or lowering costs or whatever it may be—obviously I engage in outreach with those companies.

We acknowledge as well, obviously, the connections between Ontario companies and other Canadian companies. We work closely with Minister Bachand in the province of Quebec on an interprovincial trade agreement that has been under way since before I had the portfolio, and work with other provinces, including Alberta. Ontario sent a delegation there to try and become an even greater part of the supply chain to Alberta industry.

**Mr. Yasir Naqvi:** You've talked in earlier comments about the context the current global economic crisis is providing to your ministry, to your role as a minister within that ministry and the kinds of activities you have to undertake. What kinds of programs and tools that we haven't really talked about have you developed and are you employing to meet the challenge we're facing right now?

**Hon. Michael Bryant:** Some of the most effective tools include the funds and the loan programs. If you like, we can get into how they work.

**Mr. Yasir Naqvi:** We'll get to that.

**Hon. Michael Bryant:** Okay, and you can feel free to tell me about how business is going in your great part of the world as well, but you keep going. I want to hear all about Ottawa. Keep going.



**Mr. Yasir Naqvi:** Before I get into specifics about Ottawa, what's important, I think, for the discussion here today—and it did come up when Mr. Chudleigh was asking the questions and I think you wanted to get into a little bit of detail about it—is the issue around accountability and transparency of these funds which you've mentioned, which are part of your ministry. I'm very interested in learning about the process by which your ministry goes around working with a company which may be seeking, let's say, the Next Generation of Jobs Fund, and ensuring that from a public policy point of view and from an accountability point of view, the public purse is well protected. Can you or your deputy walk us through the whole process there is if I'm company X from Ottawa and I knock at your day, saying, "I'm looking at this fund for this particular reason. How do we go around that process and what are the steps?"

**Hon. Michael Bryant:** Okay. How much time do we have, Vice-Chair?

**The Vice-Chair (Mr. Garfield Dunlop):** You have 14 minutes.

**Hon. Michael Bryant:** Okay. Deputy, the floor is yours.

**Mr. Philip Howell:** Okay. What I'm going to do is ask the director of that fund to come forward and explain the process—Fernando Traficante. As he does that, I would just note that in terms of the transparency aspect of the question that you ask, the details—application form, criteria, process etc.—are all available on the ministry website, downloadable and very easily accessible.

Fernando, do you want to—

**Mr. Fernando Traficante:** Sure. There are a number of processes. We like to talk to companies well in advance of a submission of an application. The purpose for that is so that they really understand the nature of the program and of the objectives. There really are three things that we're trying to do with respect to the Next Generation of Jobs Fund in terms of its objectives. The first is to support investments which are, secondly, innovative, and thirdly, create high-value jobs. We try to work with companies that may achieve those kinds of objectives and we ask them to submit to us a draft summaries and application so that we can review with them, walk them through the process and make sure that they understand.

This is not an effort to play "gotcha" with anyone. This is an effort to work with companies so that they can put their best case forward and so that they can define how they are going to create innovation in the province and how they're going to create jobs. So we work with them well in advance, as often as we can.

Once a company actually has what we call a full and complete application, they would submit it to us. There are a host of ancillary documents which are required with respect to that full and complete application, such as, for example, financial statements, descriptions of innovation, a full business case, very clear financial information and how the company is going to actually fund the project. Because we can only provide 15% of the funding re-

quired to fund an overall project, the company has to come to the table with the 85%. We're looking for that to be as committed as possible, so committed funds are the best. Then, if they are going to be funding it through revenues in the future, we need to understand what that looks like—so a full and complete application.

When we receive that, I typically would then send them a letter within two business days that says it is a full and complete application. That letter basically starts the clock. We have a service commitment to provide an answer to the companies within 45 days. I'll be frank: We haven't always made that, but we certainly make a serious effort to achieve that response within 45 days. So that clock starts to click from the date on which they submit a full and complete application.

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We then basically parse that application out to folks, if you will. There's a case manager within our ministry who is responsible for coordinating and undertaking the analysis. We also work with independent financial advisers who undertake due diligence with respect to the company, and we also work with independent technical reviewers who look at the technology to confirm that the innovation takes place.

We try to do all of that within approximately 10 days. That usually entails a site visit by the technology reviewer as well as the due diligence provider, accompanied with our staff. That gets translated into reports to us, which we then translate into a decision document for the minister.

That decision document goes to a committee of interministerial colleagues of mine, which I chair. That committee is comprised of director-level people from the Ministry of Economic Development, the Ministry of International Trade and Investment, the Ministry of Finance, the Ontario Financing Authority, the Ministry of Research and Innovation, the Ministry of the Environment and, for the biopharmaceutical investment projects, somebody from the Ministry of Research and Innovation as well—a second person—and a person from the Ministry of Health. We communicate broadly across the system to ensure that the company is in fact being innovative and that they are compliant with all government laws, with environmental regulations and with labour legislation. We review those and then make recommendations; that committee would make a recommendation.

From there, it goes to a second level, which is what we call independent reviewers. These are three individuals on contract to the ministry. They are two ex-deputy ministers and an ex-assistant deputy minister. They look at the project from the perspective of accountability and transparency. They basically are not looking at the conclusions—they are not making a recommendation as such—but they are looking at the process: Has it been fair? Have we looked at all of the proper information? Have we been able to articulate that proper information in a fashion which is clear? Finally, they look at it to confirm whether or not all of the questions and issues that ministers would want to know have been articulated

in the document. They in turn sign off on that document and confirm that that information is there.

From there, it goes to a committee of deputy ministers. There are four deputy ministers involved in the process: Deputy Minister Howell, the deputy minister from international trade and investment, the deputy minister of research and innovation and the deputy minister of finance. They are then briefed, and they confirm or make the recommendation, ultimately, to the ministers. The four ministers who are involved in the decision-making are again the same ministers, and Minister Bryant is the chair of that group. The ministers are the ultimate decision-makers in the process, but they are basically making the decision based upon the best information that we possibly have to ensure that the process is both transparent and objective.

Ministers make the decision. From there, we would proceed in negotiating a letter of offer with the company, which is essentially setting out the contractual terms and conditions. The contractual terms and conditions are things like the investment occurring, the jobs being created and the innovation actually taking place. We have commitments, legal contracts, which accompany every one of these. The companies would be expected to sign off on those legal contracts.

So there are two stages. One is the general business terms, which is the letter of offer. Once that is agreed to and signed by the company and by the government, then we would negotiate a letter of agreement, which is a formal contract which translates those business terms into a larger contract. That's the basis upon which funding is actually flowed. No funds flow until the actual legal contract is signed by both parties.

**Mr. Yasir Naqvi:** And all this is being done in 45 days?

**Mr. Fernando Traficante:** No. The decision by ministers is being done in 45 days. The letter of offer typically takes a little longer.

**Mr. Yasir Naqvi:** You did mention that 45 days has been a bit of a challenge, and I've heard from some constituents who have tried to access these funds that that tends to be sometimes not followed. What are some of the challenges in that whole process you've described you're facing in practice?

**Mr. Fernando Traficante:** The biggest challenge is really the quality in the information that we get. The issue comes down to whether, in the process of due diligence, both technical review and financial, the information is sufficient for us to be able to draw adequate conclusions. So we actually have a method of putting stops to the clock.

For example, in our due diligence review, if our financial reviewer goes to a company and says, "You're saying you have a commitment against part of the funding—we'll say 20% of the funding is from this source. Show me what that commitment looks like." If the company is not able to show that commitment, then we stop the clock until the company can show and demonstrate and provide the answers to these questions,

because we don't want to bring a recommendation to a minister where there are holes in the information. We want to make sure that the ministers have full and complete knowledge about the project when we bring it forward to them.

So if the company is asked a question on the technical side or on the financial side that they're not able to answer, we give them 24 hours to answer the question. If they can't answer the question within 24 hours, we put a hold on the project until such time as they get back to us with a full and complete answer. Once we have a full and complete answer, that restarts the clock.

**Mr. Yasir Naqvi:** Okay. You mentioned three criteria, and I've got two that I wrote down—innovative, high-value jobs—and what was the third one?

**Mr. Fernando Traficante:** Investment.

**Mr. Yasir Naqvi:** Investment. Those are the three things you're looking at. When you say "high-value jobs," can you describe that criterion and what you mean by that?

**Mr. Fernando Traficante:** Sure. We don't have what I would call a quantitative definition. What we look at are two things: First, we're looking that the jobs are at the top half of the average industrial wage, but that's a pretty crude measure. What we really look at is, what is the quality of the jobs. Are they highly skilled jobs? Do they require a significant technical level? Do they require significant competence? Do they require significant education?

So those are the kinds of qualities we look at, and we compare it to the average industrial wage, which is the overall economic measure, but we also look at the high-value jobs relative to the particular industry it's in. For example, if it's a pharmaceutical industry, we're certainly looking for highly educated jobs within the pharmaceutical industry rather than sort of packaging jobs, as such.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got a couple of minutes left, Mr. Naqvi.

**Mr. Yasir Naqvi:** Oh, okay. Actually, I think one of my colleagues had a question about one of the programs, so I'll ask Mr. Leal.

**Mr. Jeff Leal:** Minister, it was great to see you consuming a granola bar there that's manufactured by the hard-working men and women of Quaker Tropicana Gatorade in Peterborough, so thanks so much for promoting our products that are made by 600 men and women who are employed in that company.

**The Vice-Chair (Mr. Garfield Dunlop):** You're not supposed to be eating in here, by the way.

**Mr. Jeff Leal:** Well, I just want to give credit where credit's due. One of the best, right?

**Hon. Michael Bryant:** I'm here to stimulate your economy, Mr. Leal.

**Mr. Jeff Leal:** Well thank you, sir. I appreciate that.

I'll just go to a question on behalf of my colleague Jim Brownell and myself. The eastern Ontario development fund, which has been very successful, is targeted to those business and industry and tourism opportunities in the



greatest part of Ontario, eastern Ontario. If you could, Minister, provide some commentary on the eastern Ontario development fund and the allocation for that fund for fiscal 2009-10, please?

**The Vice-Chair (Mr. Garfield Dunlop):** A couple of minutes, Minister.

**Hon. Michael Bryant:** Well, I'll have to deal with this as well on a follow-up question, because this has been successful and it is to the credit of all the eastern Ontario MPPs of all party stripes that we've been able to reach out into communities and meet with and provide some assistance to some businesses.

But in terms of the parameters of the program, I think I'm going to defer to Deputy Howell, who can speak to the program itself, and then hopefully we'll get to speak about it again in a future round of government questioning.

**Mr. Philip Howell:** Okay, just very quickly because the time is limited here, it is a grant program. The budget this year is \$22.3 million. As the minister mentioned, it's focused on a wide variety of businesses in eastern Ontario. I can bring someone up who can take us through the details of the fund again, but perhaps that would be later in the—

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**Mr. Jeff Leal:** If you'll just give us the Reader's Digest version, Deputy Minister, that will suffice, I think.

**Mr. Philip Howell:** Okay. The grants are to businesses, municipalities and not-for-profit associations. It focuses entirely on economic development initiatives, and can cover capital investment, infrastructure investment, worker training and also investment attraction. It's focused on smaller companies, but companies with 10 or more employees. To be eligible, the companies that are seeking assistance have to meet certain parameters in terms of job creation, and also have to have a minimum of \$500,000 in investment.

To date, there are 10 projects that have been announced over \$4 million. The project investment associated with that is \$28.6 million, and over 160 jobs are involved.

**Mr. Jeff Leal:** And you'll keep eating those granola bars.

**The Vice-Chair (Mr. Garfield Dunlop):** Yeah. Thank you very much, Deputy.

We'll finish today with the last round going to the official opposition.

**Mr. Ted Chudleigh:** Perhaps the member could undertake to supply the committee with some granola bars.

**Hon. Michael Bryant:** Done.

**Mr. Ted Chudleigh:** This committee is getting far too relaxed.

Going back to the automotive sector, Minister, we were talking about Bramalea and Windsor, and I think there was the suggestion that it was the hope that both of these Chrysler plants would survive the restructuring. In the questioning by the third party, there was a 20% guarantee of the production levels in Ontario. However, I take

it that there was nothing in the agreement that would protect the labour levels, nor was there anything in the agreement that would protect the parts supply. Is that correct?

**Hon. Michael Bryant:** Just on supply, there were prescriptions around the use of the funds provided to include that they, in essence, pay their bills to their suppliers. As to a prescription as to what suppliers they use, no, there was not that. As the member knows, the discussions between management and labour as to exactly what the human power is going to be, going forward, and exactly what are the wages and benefits and so on—that was the subject of enormous negotiations—very tough negotiations—between labour and management.

For the government to then layer another restriction on top of that to potentially scuttle that was not the approach we took under these circumstances. Rather, we said we will provide dollars for a footprint, and in exchange, labour and management will work out how that translates in terms of jobs. I know that Mr. Lewenza, the head of the CAW, would be able to provide information as to how that might look.

**Mr. Ted Chudleigh:** I think that's the area that concerns me. In an average automobile, there is probably 35% to 40% in labour costs. However, when that automobile goes down the assembly line, there is probably something closer to 7% in labour costs to that automobile. Ten, 15 or maybe 20 years ago, there was probably 30% in labour costs going down the assembly line and maybe 10% or even 15% in parts supply.

I know that Karmax, the Magna plant in Milton, used to stamp out dashboards for Chrysler. The dashboards would be installed in Windsor, and then people would go underneath the dash and hook everything up. Today, those dashboards are stamped out in Milton; they go across the hall and are wired up at a bench in one yoke. After it's punched into the grille, one yoke hooks it all together.

All that labour has been transferred from the assembly line to the parts plant. You can well imagine—that parts plant also stamps out the roofs of the Jeep Cherokee; you can imagine a roof panel. It's corrugated, it's relatively flat and it's an easily nested part. It could be easily shipped around the world in a container. It would not be difficult to transfer that part from being manufactured in Magna, Ontario, albeit Milton, to being produced in China somewhere or in India.

In this labour agreement, I take it there was no agreement to ensure that the labour that manufactured the parts—or that the parts themselves would be assembled in the Ontario, Canadian or even, for that matter, the North American marketplace.

**Hon. Michael Bryant:** Where the supplies come from was not the subject of the agreement.

**Mr. Ted Chudleigh:** I'm suggesting that there should have been a clause in it that covered that.

**Hon. Michael Bryant:** I see. Well—

**Mr. Ted Chudleigh:** But there wasn't, I take it.

**Hon. Michael Bryant:** There wasn't in the United States, and there wasn't in Canada. What comes around

goes around. I suppose that reciprocity was found in allowing the North American marketplace to work that out. It has worked out quite successfully in Canada, thanks to those companies, and—

**Mr. Ted Chudleigh:** To this point in time. Going forward, we don't know where those parts are going to come from or what labour is going to manufacture them.

**Hon. Michael Bryant:** I have a lot of confidence in the auto supply industry in Canada, and in Ontario in particular. History suggests that's a prediction that is based on a lot of success in the past.

But what the member is getting at, I think, is around trying to effect the retention of a certain amount of the economy in Ontario. This is the balance that we have to find in the global marketplace: How much does the state provide in terms of restrictions to protect its workers? Yet on the flip side of it, does that in turn drive out investment and, of course, create reciprocal, punishing, protectionist restrictions right next door?

The goal is always to find that balance. We sought to find it in this case, and I believe that we found it in the form of proportional funding for proportional production.

**Mr. Ted Chudleigh:** History will see if you were right or not.

Earlier, you mentioned, to Mr. Hampton's question, that the cash that flowed late last year, or earlier this year—late last year, I guess—actually flowed to the US parent company of Chrysler and then was paid back into Canada. Is that correct?

**Hon. Michael Bryant:** Firstly, it wasn't last year. All the money would have flowed this year.

**Mr. Ted Chudleigh:** Earlier this year. I'm sorry.

**Hon. Michael Bryant:** Just as the Canadian company was receiving operating financing for a period of time without the assistance, it then received operating assistance through its head office. But just so we're clear: There is no doubt that this was about Canada supporting Canada. The US dollars that were forwarded supported the US. We agreed to fund each other's operations.

**Mr. Ted Chudleigh:** Is there documentation that would show that 100% of these funds came back to Canada? You can assure me that they came back to Canada. Is there something documented that would show that?

**Hon. Michael Bryant:** Allow me to make efforts to look into what we can find, either for today or for the future.

**Mr. Ted Chudleigh:** And one other question on the automotive sector: Will your government provide pension relief to GM retirees?

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**Hon. Michael Bryant:** No. The government has said that we're in the business of providing assistance to the companies, and we've certainly affirmed that again and again. The companies are hard at work trying to determine a bright future for General Motors. We were able to effect that so far, and hopefully through Chrysler, but I think the Premier has been pretty clear on that.

**Mr. Ted Chudleigh:** One other question: Ontario taxpayers do own an equity in Chrysler, and you took it

back in shares of the new company. Could you tell us how much that equity would be worth?

**Hon. Michael Bryant:** Chrysler?

**Mr. Ted Chudleigh:** Yes.

**Hon. Michael Bryant:** Valuation—

**Mr. Philip Howell:** No. The company doesn't exist yet. The company will emerge and the capitalization of the company will be determined when it emerges.

**Mr. Ted Chudleigh:** What are the parameters of valuation of that? We've put a lot of money in—what is it, \$330 million? What's our equity share? We don't know yet. I understand that. The shares aren't out. The shares aren't valued. How will we know how many shares we get? What's the criteria?

**Mr. Philip Howell:** Canada and Ontario will get 2% of the common equity that is issued when the new company emerges.

**Mr. Ted Chudleigh:** The new Canadian company?

**Mr. Philip Howell:** No, the new Chrysler. There will be no shares for Chrysler Canada. It will be a wholly owned subsidiary of Chrysler.

**Mr. Ted Chudleigh:** Okay. I see. Thank you very much.

You've bailed out Chrysler and GM, and we've talked about one of us holding our nose, one of us not holding our nose too much on that issue. I wondered how you justified bailing out Chrysler and General Motors while letting other companies go it alone. I'm specifically thinking of Nortel, which is in very much a similar circumstance, looking at bankruptcy. Certainly it has the capabilities of a recovery that would match the opportunities available for Chrysler and GM. In fact, Nortel may have a brighter future, given some help. Are they on the table? Is that something that you're looking at? How can you justify helping one sector and not the other?

**Hon. Michael Bryant:** We help all those sectors. We provide assistance to all those sectors. We loan dollars to all those sectors. We provide grants to all those sectors.

The issue of providing what amounted to emergency financial assistance, I see as separate, in that it's not as if there's an existing program to which a company would turn to make the case that the collapse of their business will suffer an acute, economic shock on the province of Ontario. None of that is to suggest that for those families affected, for those shareholders or investors, this isn't a terrible, horrible, acute economic shock for their lives—it is.

The situation right now is such that there are companies that we're able to provide assistance with who meet the criteria of the programs. We're not going to be able to do everything, at the risk of sounding more like Ronnie and less like his counterpart—rather, there's a role for government to play here. This instance of the auto industry's assistance was extraordinary, unusual, exceptional, and the distinction between the two is found in all the reasons I've set out before. One was about an entire industry which happened to be in one province, most of the suppliers of which were in one province, all the competitors of which consented, and the impact



being, as discussed, a very huge proportion of the GDP of the province. Under those circumstances, the provision of assistance was seen as a better alternative to the risk of collapse of the entire industry, the suppliers and the untold number of jobs that come with it.

You're making this very good point, which is this: There are other businesses, companies and workers that are suffering, and seriously suffering. There's no question about that. Is the government going to be able to assist all of them? No, they aren't going to be able to.

**Mr. Ted Chudleigh:** I would suggest to you, Minister, with the greatest of respect, that Nortel may very well have a greater effect on the province of Ontario than Chrysler would; certainly not as much as General Motors, but I think it would rival—not knowing the specific figures—the experience of Chrysler in the numbers of people, the numbers of dollars and the numbers of jobs. Perhaps even the potential in the future would far surpass the future of Chrysler, in which Chrysler is going to be a very much smaller company. Ten years from now I don't think we'll recognize the company of Chrysler. I think it will very much be a Fiat-type company if Fiat has the staying power, which they have not demonstrated in other ventures in other countries, where they have gone in and left again, as they left North America some years ago.

I would take issue with the fact that Nortel should be completely passed away if we're going to be in this business. Therein lies one of my concerns about getting into this business: Where do you draw the line? Apparently you've drawn the line there, and if I were a Nortel employee—past or present—or if I were an executive with Nortel I would wonder why the government doesn't consider me to be an equal Ontarian along with General Motors and Chrysler, which are foreign-owned subsidiaries, with Nortel being an Ontario-based and Canada-based company, born and bred here. I think that should give you some concern as to where you make those decisions, decisions that I would point out I don't necessarily agree with, and if I did agree to them, I would certainly do it with some remorse. Therein lies the problem: Which cat do you bell, and who bells it?

**The Vice-Chair (Mr. Garfield Dunlop):** A little over three minutes left, Mr. Chudleigh.

**Mr. Ted Chudleigh:** I'll ask the minister to respond to that.

**Hon. Michael Bryant:** If I understand you, I think you're saying that you're opposed to the provision of financial assistance, but once you're in the business of providing financial assistance, then you ought to be providing assistance to Nortel.

**Mr. Ted Chudleigh:** Based on your criteria of size—again, we're looking at two companies here that don't

meet the criteria of the grant structures that you're talking about. It's becoming a tangled web.

**Hon. Michael Bryant:** I hope I didn't suggest it was straightforward, but you certainly don't have the competitors of Nortel all agreeing to assistance to provide for restructuring outside of CCAA, number one. Number two, again, any company is able to come to the government, and does come to the government, seeking assistance in a wide variety of ways, and that's available to everybody. You're right: Once you're in this business, who do you say yes to and who do you say no to? We provide assistance based on the criteria that we set out: There has to be an investment, it has to be value-added jobs, it has to be innovative and it has to have a solid balance sheet. The exception to that was provided internationally to the auto industry in a fashion that you've not seen rivalled in another industry, internationally, at this time.

**Mr. Ted Chudleigh:** Has Nortel come to the government for assistance?

**Hon. Michael Bryant:** Certainly we work with Nortel; we speak with Nortel. It is an important company; it's an historic company for Ontario. There continue to be conversations with executives as to the state of that company because it is such an important company to Ontario. The specifics of that, you'll understand—we provide those kinds of specifics in the event that we provide an award to a company, but in the event that we don't, we don't get into what the discussions were. You're right to insist that we are reaching out and seeing what we can do to work with Nortel, and we're doing that.

*Interruption.*

**The Vice-Chair (Mr. Garfield Dunlop):** Guys, I think that's—

**Mr. Ted Chudleigh:** I heard the bell toll.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, Mr. Deputy?

**Mr. Philip Howell:** Mr. Vice-Chair, I just want to correct a statement that I made earlier to Mr. Hampton, talking about the interim loan to General Motors. I mentioned that the rate was CDOR plus 5%, with a minimum of 7%. In fact, the rate is CDOR plus 3%, with a minimum of 5%—which makes sense; it's for a much shorter term than the eight-year loans to Chrysler.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Thank you very much, everyone. That was a good afternoon.

We'll be meeting tomorrow. We'll adjourn until tomorrow, May 13, at 3:30 p.m. It is now adjourned.

*The committee adjourned at 1801.*

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## Legislative Assembly of Ontario

First Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 13 May 2009

# Journal des débats (Hansard)

Mercredi 13 mai 2009

## Standing Committee on Estimates

Ministry of Economic  
Development

## Comité permanent des budgets des dépenses

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## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

Wednesday 13 May 2009

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Mercredi 13 mai 2009

*The committee met at 1600 in room 151.*

## MINISTRY OF ECONOMIC DEVELOPMENT

**The Vice-Chair (Mr. Garfield Dunlop):** Good afternoon, everyone. I'd like to welcome the minister and staff from the ministry back today for the estimates. We're here to resume the consideration of the estimates of the Ministry of Economic Development, vote 901.

There are a total of four hours and 10 minutes remaining. When the committee was adjourned, the official opposition had finished its 20-minute rotation. It is now time for the third party, followed by the government. I see that the third party is not here right now.

A question, just before Mr. Hampton comes back—here he is. Did you have a question, Mr. Chudleigh, that you wanted to raise about the time remaining?

**Mr. Ted Chudleigh:** I'd like to do that at the conclusion of session today.

**The Vice-Chair (Mr. Garfield Dunlop):** All right. Mr. Hampton, you have the floor for the next 20 minutes.

**Mr. Howard Hampton:** Thanks very much. I just wanted to pick up where we left off yesterday. I understand that some of this might be like trying to hit a moving target.

General Motors was provided with \$3 billion of interim financing; \$1 billion of that is from Ontario. Of that \$1 billion, \$750 million has gone out the door.

**Mr. Philip Howell:** There was a correction at the end yesterday. I think you had just left the room, Mr. Hampton—

**Mr. Howard Hampton:** Okay. That's why I ask these questions again.

**Mr. Philip Howell:** Yes. It's actually \$500 million that's gone. Also, I misspoke on the interest rate. It's not a longer-term facility like the eight-year Chrysler, which, you'll recall, has a minimum of 7% interest. This has a minimum of 5%. So it's the Canadian deposit overnight rate plus 300 basis points, with a minimum of 5%. Occasionally, the Canadian deposit overnight rate slips below 2%. I think it's below 2% right now. And it's a three-year term. It's a demand loan.

**Mr. Howard Hampton:** All right. That's good for now.

The Premier spoke on this issue, I guess, almost simultaneously with our meeting here—I want to be clear on this—indicating that Ontario is probably going to

have to offer up more for General Motors. Is that a fair statement?

**Hon. Michael Bryant:** It's just unclear. To be really blunt, you mentioned the moving target, and it's a moving target from our perspective as well. In terms of the information that comes in and the analysis that takes place, it's possible, absolutely, as the Premier said. It continues to be the case, as we've said from the beginning, that we need to get a fair deal, a deal that is defensible to the taxpayer. We'll continue to work with all the parties and, as we have something more specific, offer specific updates. My sense is that we will not be in a position to provide that kind of information because we won't be in a position to make a final decision about it probably until the end of the month.

**Mr. Howard Hampton:** You must have some idea at this point, though.

**Hon. Michael Bryant:** It has changed. I'm not going to speculate as to what the number might be that the government would be making a decision on, because it has changed. Also, it's obviously going to be something that will depend on what the position of the United States is. I think the Premier was saying that it's a possibility that it's more than expected. It's also a possibility that it ends up being a number that was expected. It's also a possibility that it's not a number that we can defend.

**Mr. Howard Hampton:** I assume, though, that the Premier must have had some basis to say that it will be larger rather than smaller.

**Hon. Michael Bryant:** I wasn't in the scrum, so I don't know exactly the nature of the question. But this is obviously information that you and everybody in the Legislature and the citizenry, the residents, of Ontario and Canada need to know, as decisions are faced by the government, as to what the willingness of the provincial and federal governments is in terms of providing financing. I think it would be unwise, for the purposes of the negotiations, to throw a number out there, which is not to say that obviously those kinds of details eventually have to be forthcoming.

**Mr. Howard Hampton:** I think what you told us yesterday and the deputy confirmed is that \$3 billion was the interim financing for General Motors.

**Hon. Michael Bryant:** Right.

**Mr. Howard Hampton:** Are you saying that that's it?

**Hon. Michael Bryant:** No, I'm not saying that. There are different options as to what happens with the interim

financing. Some would characterize the interim financing as a bridge loan, which is not to say that it can't be converted into something else by way of, not a bridge loan, but a longer-term loan, or in the event of Chapter 11, debt financing, as we discussed. So I'm not saying that's it, but that those dollars have been advanced on the basis of a decision made by the governments to provide that interim financing to allow us to engage in the negotiations that are under way right now.

**Mr. Howard Hampton:** The media tell us that the problem, if I may put it that way, with the General Motors pension plan is a \$7-billion problem. From the ministry's perspective, is that correct?

**Hon. Michael Bryant:** I'll let you speak to the specifics.

**Mr. Philip Howell:** There are a lot of numbers that are being thrown around at the moment in the discussions that are under way. The nature of pension deficiencies and underfunding and solvency deficiencies and so on clearly depend on the time that's chosen. Pension fund assets aren't valued on a daily basis. It's something that's done periodically, as prescribed by legislation. For purposes of discussion and so on, assumptions can be made. There is a large unfunded element to the GM pension plan at the moment.

**Mr. Howard Hampton:** Are you telling me you're hoping for another big run-up in the stock market?

**Hon. Michael Bryant:** No.

**Mr. Philip Howell:** That would be very helpful for the next valuation. That comment actually does underline a very important thing about pension plans: There is always a tendency to look at a deficiency or a solvency status at a point in time. Of course, that deficiency is noted in the context of what would be owed if the plan was to wind up at that point in time. Obviously, keeping GM going as a viable entity longer-term is a critical part of resolving that pension fund deficiency over time, since the longer the company is going, the more chance there is—admittedly, making a decision that the market isn't going to get any worse than it was last fall, but over time, improvement in the stock market will certainly help eliminate some of that deficit.

**Mr. Howard Hampton:** Is maintenance of the pension fund and pension benefits part of the discussions about General Motors?

**Hon. Michael Bryant:** Obviously, we're going to do our best to provide the information on the specific discussions. Generally speaking, the Ministry of Finance is going to be in a better position to speak to the applicable legislation and so on. Everything is on the table in terms of the variety of issues. Which ones at any one time become a focus depend on the state of the negotiations. Obviously, as negotiators, we don't want to indicate which ones are priorities for us, other than to say that we want it to continue to be viable. And as the Premier said, the notion of Ontario providing a line item payment to address pension liabilities is not something that the Ontario government's willing to do. Ontario is willing to provide financial assistance as a loan, as described by the

deputy, and obviously the federal government is of the same view.

**1610**

**Mr. Howard Hampton:** General Motors has already announced a number of closures in Ontario; for example, the closure of the truck plant in Oshawa, the closure, I believe, of the transmission plant in Windsor, and I think there were a number of layoffs too in the engineering centre in Oshawa. Are there any discussions about employment levels?

**Hon. Michael Bryant:** The employment levels are obviously something of significant discussion between the CAW and management. The focus of the government has been on production to date, but as you said, there has been, with a drop in demand and a drop in production, either idling or temporary layoffs or otherwise. The industry is going to be smaller than it was in terms of its production. It will be smaller than it was prior to this incredible drop in demand that took place so quickly. Exactly how small is going to depend on demand going forward. But we have to proceed on a set of assumptions as to what the demand might be, and, as I said before, we have been committed to providing assistance on the basis of getting a certain level of production and footprint in Canada. Exactly how that translates in terms of human work hours, manpower, however you wish to put it, is something that is particular to leadership under Ken Lewenza.

**Mr. Howard Hampton:** Of the remaining General Motors operations, one would be the facility in St. Catharines, one would be, for want of a better word, the shared facility with Suzuki—which is in Ingersoll, I believe.

**Hon. Michael Bryant:** Yes.

**Mr. Howard Hampton:**—and then the two car plants, I believe, in Oshawa. So in the discussion of production, do you actually get down to talking about facilities or not?

**Hon. Michael Bryant:** Well, I have not, but I'll let the deputy speak to this as to the level of execution of the production footprint to date.

**Mr. Philip Howell:** Certainly, the discussions that go on focus on production. The assumption that's being made in terms of the discussions that officials are having—the US Treasury, the federal government and Ontario—is that we're assuming that the production we're talking about is going to be undertaken at existing facilities. There's not been any discussions that I've been part of that have been talking about greenfield facilities anywhere as part of either the Chrysler deal or this deal. So the nature of the restructuring exercise is very much one that's built around, in both cases, determining which existing assets are going to be part of the viable company going forward and which assets won't be.

I guess my answer is yes and no. When we're talking about production levels, in the case of Ontario production, we'd be talking about what would come out of Oshawa and what would come out of CAMI in Ingersoll. We're not assuming that the production levels that we



might be talking about would come from a new plant that would be built in Windsor or something like that.

**Mr. Howard Hampton:** But are you seeking assurances that both the CAMI plant and the two car plants in Oshawa will continue?

**Hon. Michael Bryant:** Yes, seeking, absolutely. That's exactly what our—

**Mr. Howard Hampton:** So where are you at?

**Hon. Michael Bryant:** Well, I do want to try to provide information, but obviously I don't want to compromise the negotiations.

**Mr. Howard Hampton:** I think most people would have been surprised this morning to hear that Suzuki is essentially shutting down production at CAMI. They're not going to produce any more vehicles there this year, is what I read.

**Hon. Michael Bryant:** Anywhere in North America?

**Mr. Howard Hampton:** At CAMI.

**Mr. Philip Howell:** That is correct, in the sense that just as all car companies have been temporarily idling facilities—Chrysler currently is idled across North America. That was the nature of the Suzuki announcement, I believe, not that they're never going to produce vehicles at Ingersoll again. But they have ceased production.

**Mr. Howard Hampton:** As I read it, they weren't saying, "We're idling the plant for three weeks" or "We're idling the plant for a month." I think what they said is that there will be no more production at that plant, at least as far as Suzuki is concerned, for this year—this vehicle year.

**Mr. Philip Howell:** Yes, definitely. There has not been very strong demand for the vehicle that they're producing there, and, yes, they have made that announcement. The nature of the CAMI facility, which is a joint facility, means that the whole plant isn't closing, because GM is actually, by far at the moment, producing the most vehicles out of that plant, even though it's a joint venture. But to be clear, Suzuki is not severing the joint venture with the announcement yesterday.

**Mr. Howard Hampton:** If I can recite some recent history, one of the big issues when it comes to General Motors is getting a particular vehicle. So the Premier attended an announcement at Oshawa to announce the new Camaro, right? Until the decision was made by General Motors to move the hybrid half-tonne to Mexico, the Premier and at least a couple of ministers told the Legislature, on more than one occasion, that the hybrid half-tonne would be built in Ontario. So I would assume if you're talking about production, you must also be talking about models, because if you don't have a model, you don't have anything, do you?

**Hon. Michael Bryant:** I just want to confirm what I said before—

**The Vice-Chair (Mr. Garfield Dunlop):** You're down to a couple of minutes, guys, on this round.

**Hon. Michael Bryant:** Sure. Suzuki isn't building any more cars anywhere in North America; right?

**Mr. Howard Hampton:** Yep.

**Hon. Michael Bryant:** And the company said that the possibility that CAMI would be forced into closure or a production stop is 120% impossible—120% impossible is what the chief executive said.

**Mr. Howard Hampton:** But I'm right in assessing that they're not going to produce any more this model year?

**Hon. Michael Bryant:** Well, they said that they're not going to produce any more of this model year anywhere in North America.

**Mr. Howard Hampton:** Okay, that's fair, which goes to my question about models.

**Hon. Michael Bryant:** How are the platforms going to be used?

**Mr. Howard Hampton:** Yep.

**Hon. Michael Bryant:** Right. Again, I can't say specifically right now how the information has been conveyed, just for the reasons I said before about negotiations. Also, our goal is to get an agreement around production, and obviously it is going to be one that has to make sense in terms of the information that we have, but it is to get that agreement around production. Exactly how that is delivered is obviously something that, more typically, management and labour work out, but obviously we wouldn't be entering into an agreement for a level of production if we didn't have confidence that the plans included something that would be part of the future of that company, which means I think I'm agreeing with you.

1620

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. That pretty well cleans it up for that 20 minutes for the third party. Now we go over to the government for 20 minutes.

**Mr. Yasir Naqvi:** Welcome back, Minister. Thank you very much for the responses yesterday. We were talking about accountability and the process involved with various incentive programs that are part of the responsibility of your ministry.

I wanted to get into some of the specifics of the programs and learn a little bit more about how they're being used and the success rate that your ministry and the government must be having with those programs.

Can you or the deputy talk about the Next Generation of Jobs Fund? What's the scope of that particular fund?

**Hon. Michael Bryant:** Sure. Why don't we continue the discussion that we were having yesterday. I guess it makes sense if Fernando could come on up.

**Mr. Philip Howell:** We'll ask Fernando Traficante, the director of the funding programs, to come forward. He can specifically address those issues. From the question, I think you're also interested in some of the actual investments that have been made?

**Mr. Yasir Naqvi:** Let's talk about the scope of the program and what we're trying to achieve with that program, and then I'll get into some specific questions.

**Mr. Fernando Traficante:** Sure. The program actually has a number of different objectives. I think it's important to recognize that these objectives are not

identical. There are a number of different, what I would call, priority areas for the program.

The first is on the green side. It includes, in terms of our target area, green automotive. That's green automotive production, parts, research; green fuels such as alternative fuels—research, development and production; green energy and environmental technologies, generally. So that's one thrust, which is on the green side.

The second thrust is on the health technology side. There is a part of the fund which is the biopharmaceutical investment program, which is administered through the Ministry of Research and Innovation. That's focused primarily on innovative biopharmaceutical companies, and it supports investments in those areas. The rest of the program also supports advanced health technologies. So, for example, it would be medical devices, generic pharmaceuticals.

In addition to those which I've mentioned, there's also scope for the program to support financial institutions' investments. So it's greenfield investments by financial institutions which have innovative capacity to them, and strategic investments by the province: things which the province might regard as strategic to either a region, a sector or part of the economy as a whole.

Those are the target areas in terms of the sectors and areas that the program supports.

*Interjection.*

**Mr. Yasir Naqvi:** Sorry.

**Mr. Fernando Traficante:** So the program is designed to hit those target areas which I've mentioned to you.

The other part of the program is to support what we would call strategic—so it is not just simply any investment in those particular areas, but investments which have a strategic impact, and we define that in terms of size. It can support investments which are at least \$25 million or that create or retain 100 jobs. It's an "or" criteria. So we can support smaller projects which have a significant job impact or we can support projects which have large investments and a smaller number of jobs. That provides us with some flexibility, but again, the intent is to be strategic in terms of the impact upon the company and the investment that's taking place. So it's not just simply to support what we'd call day-to-day activities of the companies, but it's a development of new products, new technologies, innovations, which will make a change with respect to the company and create capacity in the province.

**Mr. Yasir Naqvi:** Can you talk about what kind of investment your ministry, the government, has made thus far under this fund?

**Mr. Fernando Traficante:** Sure. So far, nine projects have been announced by the government, covering a range of sectors and areas. I'll speak about a couple of them, just as examples, and in more detail if you wish.

The first one that was announced under the program is a company called 6N Silicon. That company is actually an interesting example of what we're trying to do with the program. It's a fairly small company, and it de-

veloped a new technology to refine silicon for the purposes of photovoltaic cells. It's essentially using silicon for the purposes of alternative energy in photovoltaic electricity production, and they had developed a brand new technology in order to do that.

This a technology was bench-tested at the University of Waterloo—essentially, in some guy's basement. They applied for and received funding under a different program by the Ministry of Research and Innovation, called the innovation demonstration fund, which pilot tested the innovation. We supported the project, not for the pilot testing, because they had proven that the innovation actually works, but actually for taking it into production.

The investment entails \$53 million. It involves a \$7.9-million grant from the province to create or retain a total of 100 jobs over five years. It's under way; they've actually undertaken a bit of the hiring already. I believe they have actually hired about 70 people already. So they're actually in production.

**Mr. Yasir Naqvi:** So that's the result of the investment made by the government: 80 jobs were created.

**Mr. Fernando Traficante:** Exactly. Now, this was the first one we announced under the program, in terms of the jobs and investment part of the program.

**Mr. Yasir Naqvi:** So this type of investment in 6N Silicon sort of falls under the strategic impact category you're talking about?

**Mr. Fernando Traficante:** It's under the category of alternative energies.

**Mr. Yasir Naqvi:** Okay.

**Mr. Fernando Traficante:** The first one that was actually announced by the Premier was Sanofi Pasteur. Sanofi Pasteur is an innovative vaccine manufacturer that actually goes back historically all the way to its origins with Banting and Best in the 1920s. The investment was for approximately \$100 million—I don't have the exact number in my head—for the development of a new vaccine research and development and manufacturing centre on their campus in north Toronto.

The vaccines are twofold: One is the development of a new vaccine around whooping cough, and the second is the development of a new cancer vaccine that they're working on. So that's a research and development project that has a manufacturing component to it.

They had to build a new building, and are in the process of building that building, so it's under way in terms of the investment. The actual jobs associated with it haven't been created yet, because you have to build the physical structure before you can actually manufacture.

**Mr. Yasir Naqvi:** How many jobs are we anticipating to be created on that one?

**Mr. Fernando Traficante:** If you give me half a second, I can tell you the exact number. Over five years they will hire 165 people.

**Mr. Yasir Naqvi:** Okay.

**Mr. Fernando Traficante:** No, I'm sorry. That's the wrong one. Here you go: This is new and retained jobs: 933. It's a lot, but what we're trying to do is anchor an entire facility. So that's not simply the jobs associated



with the investment but the entire facility. What we're saying is that we support a particular investment, but associated with that investment we're looking for commitments by the company to continue their operations, to expand and anchor their operations in Ontario. That's the objective of the program.

1630

**Mr. Yasir Naqvi:** Now, a lot of these—maybe you can give some other examples—I assume, are producing products that are both for the domestic market and for export.

**Mr. Fernando Traficante:** Yes, indeed. 6N Silicon is primarily producing product for the export market, but there's going to be some domestic consumption. Sanofi Pasteur produces for the world.

**Mr. Yasir Naqvi:** Okay. I'm going to ask my colleague MPP Delaney to ask a question.

**Mr. Bob Delaney:** I'd like to ask you to talk a little bit about the type of challenge we had, I guess, the privilege of helping out in Mississauga.

In the riding I represent, even in this time when manufacturing industries are under severe pressure, we have one called Cyclone Manufacturing, which has had the best years of its life. It's run by a very talented gentleman, originally from Poland, named Andrew Sochaj. Over the years, he has very carefully built up a wonderful niche market producing parts for aircraft. He has built it up using cutting-edge technology in which he'll take a solid block of aluminum and use computer-aided manufacturing to painstakingly cut out different parts for the wings, the airframe and so on and so forth.

This is the kind of business that the whole world wants to get, and I know from having visited him numerous times, before the Premier and, I believe, the minister came in January to pay a visit to Cyclone, that we were able to play a part in not merely maintaining but expanding a business that does nearly all of its commerce offshore.

I wonder whether or not you would share with me and with the committee some of the thinking not merely behind that project—by the way, he continues to be very successful and has doubled his floor space in the last year—but similar projects of that type that we find throughout Ontario?

**Mr. Fernando Traficante:** Sure. That's a really interesting one, because what he's doing—he is a parts producer for the aerospace business, which is a challenging business in any event, but what they're trying to do, in terms of their technology development, is develop new materials and composite materials.

The aerospace industry is one that is moving pretty dramatically into the use of composite materials. Boeing has developed the Dreamliner, which is a fully composite aircraft. Ontario, quite honestly, does not have a significant impact or representation in terms of composite manufacturing and composite production. What he's trying to do, in terms of Cyclone's activity, is ways and means to develop composite products and components and to machine those products and components.

It's the machining element that is actually the innovation piece. Typically, a composite is simply adding layers and layers of different materials and glues and so on, and shaping it in a particular fashion. Being able to machine it into shapes and positions and products on the aircraft, particularly what would be called structural components, is a unique attribute and a unique capability that he is trying to build and in doing that, I think, will position both his company and that activity in Ontario in a way that it doesn't exist currently. As I said, we don't have a lot of representation in terms of composite manufacturing for aerospace. He's one of the few, and we're hoping he can build that capability.

Our program supported him to the tune of—it's a \$51-million project overall, and we are providing him with about \$7 million.

**Hon. Michael Bryant:** No wonder I need glasses. Those are the world's smallest numbers.

**Mr. Fernando Traficante:** Small numbers, yes.

That's exactly the kind of thing we're trying to do.

I'll give you another example on the plastics side. PM Plastics is a very tiny company in Windsor. This is the smallest project we have supported so far. It's \$3 million, and we're giving them about \$560,000—very tiny. But again, they're doing something that is unique; that is, the extrusion of plastics for the purposes of fuel cells to go into automobiles.

Again, it's a unique technology, a unique application of that technology in terms of where automobile production is going in the future—small guys with real capability who are trying to bring that capability to market and make themselves competitive on a global scale. Those are the objectives of the program, and we're working with companies in order to support them to do that. The challenge is working with companies which have the management capacity, the financial capacity and the innovative capacity to make these projects work.

**Mr. Bob Delaney:** When you're studying these things in business school, the classic analysis is that somebody will talk about the shotgun approach as opposed to the rifle shot approach in which you're trying to pick your target very narrowly and, in so doing, focus your resources.

In the case of companies like Cyclone—and I'm going to speak about Cyclone, but whatever I say applies to many of the others I visited in Mississauga.

As a province, one of the challenges that any government would face is to ask ourselves, "The kids who are in the elementary school I visited this afternoon—what kind of jobs are they going to get when they graduate from university? What type of commerce will the world be doing then?" What we know from watching the evolution in the era in which we've all grown up is that a lot of the jobs we're doing today simply didn't exist, even as recently as the 1980s. For a lot of us, that's not ancient history.

What the three ministries that deal with what I would call "business development functions" focus on is trying to make the best possible decisions that we can with the

information we have so that as the future unfolds, to the best of our ability to be able to foresee it, those high-value, high-wage jobs will disproportionately be present here in Ontario.

I'm looking at the outcome of some of the selective investments, and in this case, an investment made very close to home for me and the difference it has had in the community. More by way of a comment than a question, I just want to acknowledge that, as people in our community look at this type of investment, they tell me, "This is the kind of thing that we need to see from government." This is the thing that is going to make the companies that the rest of the world wants to have pull up stakes and relocate in our jurisdiction. This means that those jobs that, five, 10, 15 or 20 years from now, kids all want to have when they finish university are actually going to be here at the same time they're looking for them.

I'll turn the microphone back to my colleague Mr. Naqvi.

**The Vice-Chair (Mr. Garfield Dunlop):** You've just got about a minute left.

**Mr. Bob Delaney:** I've got about a minute left? All right.

**Mr. Yasir Naqvi:** Maybe the minister wants to respond.

**Mr. Bob Delaney:** Why don't I give the minister the last word in the last minute?

**Hon. Michael Bryant:** I was going to give you the last word, Bob Delaney.

Other than to say that that shotgun analogy—I hope it's registered, number one. Number two, the bad luck that the official announcement of the good news in Cyclone would take place during the one day that you were not in the riding is rotten luck, but that isn't to say that you haven't represented your constituency very well, as other members in other ridings who have attended those announcements have represented their constituency well.

I encourage members to continue to provide the information, as they have in the past, to keep us posted. Of course, the companies themselves follow a process that involves, at least for the Next Generation of Jobs Fund, a secretariat that is well represented beside me right now as I speak.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you to the government.

Mr. Hampton can't be here with us and the NDP can't have a representative for the next round. I was wondering if we could have consent from the committee to bank his time until next Tuesday. If we can just continue—

**Mr. Ted Chudleigh:** If I might propose that I would take his time. So I would do, in this session, 40 minutes, then the Liberals would do 20 minutes and then I would finish with 20 minutes. That would take us through today. Mr. Hampton would take, next Tuesday, the next time we meet, 40 minutes, taking my 20 minutes.

1640

**The Vice-Chair (Mr. Garfield Dunlop):** You're just exchanging time with—can we have consent to do that?

**Mr. Ted Chudleigh:** We just swap times between today and Tuesday, if that meets with the—

**The Vice-Chair (Mr. Garfield Dunlop):** Agreed?

**Mr. Yasir Naqvi:** That's fine.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Thank you very much. Now we go over to the official opposition.

**Mr. Ted Chudleigh:** Mr. Hampton—one of his children had a baseball game. I like his priorities. That wasn't a shot at anybody, by the way.

I was interested in Mr. Delaney's comments. I've heard this statistic before, that 50% of the jobs that exist today did not exist in 1980 and that 50% of the jobs in 2030 don't exist today. To conclude the thought, I think that is why—and I feel strongly—the government's job is to create a business environment that businesses can succeed in. We'll leave the opportunity and how that success will be fulfilled to the business minds that the province produces. Ontario has a wonderful record, over many years, due strongly to the educational level that we enjoy in Ontario, one of the highest in the world. If you refer to *The World is Flat*, the Friedman book, he can trace the success of a community, of a jurisdiction, to its level of education. He said that it's easy to predict the success of India and China, with the number of engineers that they have produced over the last 30 years. They have a surplus of engineers in both those countries and a surplus of scientists in both those countries. They found a way, in those countries, under much more difficult circumstances than we enjoy in Ontario, to create opportunity for themselves in those countries.

That is the direction that I would like to see Ontario move in: Ontario moving towards being a jurisdiction that allows businesses the freedom and the opportunity to take advantage of all those good ideas that were born, in the kernel of conception, in our educational facilities, and amongst people who had the wherewithal and the will to create those opportunities.

With that in mind, I would go back to question period today, Minister—and I know you're waiting for this—when you said that you weren't listening to economists. I would think that if you're not listening to economists, the people of Ontario and certainly myself would be very interested in knowing where you're taking your advice from. We asked you if there was a shining city on a hill or if there was someone who had experienced a state-run economy such as you're suggesting in your reverse Reaganism, über-entrepreneurialism, whatever you're calling it today. If you're not listening to the economists—and we can't find an economist who supports you—who are you getting your advice from?

**Hon. Michael Bryant:** I think that the short answer is, business. It's businesses. It wasn't governments that would have voluntarily approached businesses and opened up their treasury and said, "Please, take a bite." It was the other way around.

Just this week, I spent a couple of hours with a subsidiary of a Fortune 500 company which has a significant footprint here in Ontario. They were seeking financial



assistance through one of the funds. They were making a case for why they needed those dollars, not only in order to complete the project they wanted to complete but to keep the operations in Ontario as opposed to being moved to another state. They specifically were able to spell out what that was, and I can't get into the details because it's in the early application stage and there's commercially sensitive material.

It may not be something that the Reaganomics school of thought would like, but it was the innovation and ingenuity of business managers with the Lee Iacocca creativity who came forward and said, "Look, we can do this and we can do that. We're going to be more productive, and we're going to enter into partnerships. In addition to that, we want to structure our business in a way that has never been done before, and you, government, we're going to need your assistance. As a result, we're going to leverage even more investment here in this jurisdiction."

I don't know exactly when it started, but in one form or another the provision of economic incentives by way of direct investments is one that has been around for many years, as you said yourself, I think—maybe I misunderstood you, so you can clarify—with respect to the frozen food industry.

So it was, in fact, businesses that came forward to governments in the first place to make the case for economic incentives. It's certainly the case that businesses do now.

In terms of feedback from economists, I think we're very fortunate to have some, as far as I'm concerned, world-leading economists here in Ontario, and I take what they say very seriously. I prefer to get advice from an economist who has actually heard what I've said as opposed to having read a version of it in the newspaper. I always find it curious that people can comment on speeches that they've never heard, but that happens.

We have a particularly fortunate situation, in that we were able to retain the Martin Prosperity Institute and provide funding to get an enormous amount of advice and an economic blueprint from the world-leading economists there. On a very regular basis I consult with Roger Martin and Richard Florida and his team at the Rotman school, as well as the deans and faculty members at other schools, and chief economists, on Bay Street, of the big banks and otherwise.

The punditry war is one thing where people exchange opinions, and it's obviously something that I can always learn from. But it is the case that governments of all stripes have been making these kinds of investments in companies, and if it's a shock to some people and some economists that that has already been taking place, then that's surprising to me. I hope it's not surprising to you that we've making these direct investments, because we've been talking about it in the Legislature for many months and years, and of course, your colleagues like Mr. Klees regularly get up and ask questions like, "Hey, where the heck are the dollars for this company in my riding?"

I obviously listen to and read very closely the advice that economists have. I take seriously the comments that

were made about my remarks, which were intended to provide an accessible look at a very activist, interventionist approach that this government is taking and compare it to what's happening in the rest of the world. All jurisdictions that I'm aware of are also engaging in this interventionist approach. That has become the marketplace, as it were. And why? It's because businesses have, in fact, created a climate where they can demand it and governments respond. If governments don't respond, then the risk is that those businesses will not come here.

**Mr. Ted Chudleigh:** I would go back to my comments of yesterday that subsidies tend to make up for shortcomings in various jurisdictions, and I think there's indeed some of that in Ontario, as well.

Yesterday you said that the process of providing grants to companies would be open and transparent and that the public would have full knowledge and confidence in the process. I listened to your words; I fervently hoped that would be true. Today you refer to a company that you've talked to that is looking for some money, and you cannot speak about it because there's competition and confidentiality involved, which I understand and which is one of the problems in this whole process: The process cannot be open; it cannot be transparent; it cannot be the way you described it yesterday. Today, your comments are far more realistic, although less satisfactory from a public scrutiny point of view, in who gets the money and how.

1650

Yesterday, we were talking about the possibility of pork-barrelling and the possibility of political pressure that these grants all too often, in all stripes of government, attract. How do you get around that? You get around it with an open and transparent process. Today, you talk about the inability to have that process because of the constraints put on you by those people who react.

You talked about the number of economists you talk to. I suppose that when you talk to them, they talk to you as well, and you listen to what they say. You didn't mention that you listen to what they say, but I assume that you do; I'm giving you that one. I'm glad to hear that you are indeed talking to those economists, and I would encourage you to have more and deeper conversations with them, particularly concerning this somewhat dangerous path you're going down, because all the economists that I have talked to or that I have read concerning your new program are of one mind: that this is very old-time thinking and that it has been unsuccessful in the past. Again, I would say that there's no shining city on the hill.

You talked about Roger Martin and Professor Florida in 2005-06. I think you have a contract with them in which you pay the Rotman School of Management some one million dollars a year or something. I take no issue with that; that would be very strong, good advice from those people. The issue I take is that in 2005-06, and possibly 2007, they gave you what I perceived as some pretty good advice on how Ontario could be competitive, and what industry was looking for in the way of red tape

reduction, what industry was looking at in the way of tax structures, especially around the capital tax issue on equipment and machinery, what industry was looking at in the way of wage rates in Ontario, and what impact productivity would have.

Roger Martin made a very, very interesting and strong case on productivity, in that the average wage in Ontario, I believe, was—and I'm going by memory on this—\$6,500 a year less in Ontario than it was in the United States or in some competitive jurisdictions in the United States. If indeed our average wage in Ontario was equal to that in the United States, in other words \$6,500 higher, the net tax impact on Ontario, in a budget that was I believe about \$87 billion at that time, would be \$29 billion. You would get \$29 billion more in revenue just by simply raising that average wage. This is what he was promoting back in 2005-06, and I believe 2007, for which you paid him a million dollars. That was exceptionally good advice, all of which was ignored by your government.

**Hon. Michael Bryant:** Well—

**Mr. Ted Chudleigh:** And then we—

**Hon. Michael Bryant:** Sorry, go ahead.

**Mr. Ted Chudleigh:** I'm building up to a long question here.

Then we come along to—and all of that advice was so good and yet ignored—Ontario in the Creative Age, which you referred to in your previous answer, and for which you paid another organization that Roger Martin and Richard Florida worked for. You paid them \$2.2 million for a report which was somewhat roundly criticized.

**Hon. Michael Bryant:** Mr. Chudleigh, just a literally 10-second intervention: I just want to point out, and I know you wouldn't disagree with this, that Professor Martin and Professor Florida do this work pro bono. The Martin Prosperity Institute does receive funding, but both of them do this work pro bono. They don't get any remuneration directly that they would charge, for example, the private enterprise. Anyway, I know when you said "them," you meant their institutes.

**Mr. Ted Chudleigh:** Yes. They are paid by the Rotman school, and it all works in that direction.

**Hon. Michael Bryant:** Right.

**Mr. Ted Chudleigh:** Can you confirm that Ontario in the Creative Age did cost \$2.2 million?

**Hon. Michael Bryant:** I'm going to answer that, but, boy, I've got a little bit of ground to cover first before I get there.

Number one, in terms of responding to your comments and to a certain extent your questions, the last budget included the harmonized sales tax, and I understand your views on that. It was something that Roger Martin had been calling for for a very long time and had been quite critical of the government for not doing it and said—again, heeding his advice to a certain degree—that he believed the 2009 budget to be fantastic, brilliant and bold. These are his words, not mine.

We have certainly listened and heeded his advice more than not. He often ends up prevailing, and it's great

advice, and I just want to say I personally think we're very lucky to have him in Canada, let alone in Ontario. The information and details on the latest report, the blueprint that came out in the winter—

**Mr. Ted Chudleigh:** Ontario in the Creative Age.

**Hon. Michael Bryant:** Sure. I don't have it at my fingertips, but I will definitely get the answer back to you.

**Mr. Ted Chudleigh:** Okay. Did you read the report?

**Hon. Michael Bryant:** Oh, yes. I didn't just read it. I had the opportunity, as he said before, to spend many, many hours actually at their offices on a few Saturday and Sunday afternoons, going through the material, so that I could just get in to see the raw data and see how their thinking worked and so on, and it was a fantastic experience. I wish I could say I made a contribution, but I didn't.

**Mr. Ted Chudleigh:** I found the report very interesting, but unfortunately, it tends to abandon small-town and rural economies. Do you share the view?

**Hon. Michael Bryant:** I don't think they would characterize it that way. Certainly our government would never do anything other than support those communities. In fact, to be fair, the observation that was made was that what we in Ontario and Canada might refer to as "rural communities" are often urban communities in that—well, I think it's self-explanatory.

**Mr. Ted Chudleigh:** I think of the town of Listowel, for instance, which is a rural community in my mind. By and large, their major industry was the Campbell Soup plant that was there. It was certainly a manufacturing facility, yes, but that manufacturing facility had some of the highest-tech improvisations in the technical way that the line was put together of anywhere in North America. That technology will be lost to Ontario. That company has found that they can produce that product far cheaper in some other community because Ontario has lost some of its competitive edge, and this—

**Hon. Michael Bryant:** Can I speak to that?

**Mr. Ted Chudleigh:** Well, this report talks about the intellectual industries of the future. To me, yes, intellectual industries of the future are fine, but there are intellectual industries that are in the manufacturing business in Ontario that should be encouraged with a competitive jurisdiction, and we're missing the bet on that competitive jurisdiction or have been up until your last budget when there were a few concessions made towards looking after some of those industries—too late, in my mind, because the horse is not only well out of the barnyard, he's going down the lane and he's headed for the four-lane highway, and I'd be chasing the horse a little bit if I were you.

You wanted to make some comments?

1700

**Hon. Michael Bryant:** Firstly, I specifically asked Roger Martin the question about the creative-class jobs in the manufacturing sector and whether or not the two were incompatible. He said, "Of course not"—not just research and development jobs but also jobs typified by, say, the



auto worker in Toyota, typified by the people on the factory floor, perhaps at Campbell Soup, who were able to literally use their experience and analysis to engage in what we might have referred to in the past as management activities.

The creative-class jobs are not intellectual in the sense of belonging to an academy or to arts or to sciences but, rather, intellectual in the sense of being more focused on using your noggin than your muscle. So, to take that example of a company that did leave the jurisdiction, I don't know, but dollars to doughnuts, if it left the jurisdiction to go somewhere else, it went to a jurisdiction that provided it with an economic subsidy that perhaps Ontario was unable to match. That's the point. If we can provide assistance to a company—

**Mr. Ted Chudleigh:** I'll save you from going down that street. There was no economic bonus. It went to New Jersey.

**Hon. Michael Bryant:** No, no, no. You don't know that the state of New Jersey didn't provide them with an economic incentive.

**Mr. Ted Chudleigh:** Yes, I do.

**Hon. Michael Bryant:** I find that very hard to believe: that they would just up and move to the state of New Jersey without some economic incentive.

**Mr. Ted Chudleigh:** The president of Campbell Soup Co. Canada told me that there was no economic incentive; it was just uncompetitive in Ontario.

**Hon. Michael Bryant:** I'm going to bring that information back to this committee as well.

**Mr. Ted Chudleigh:** That's my business. That's where I came from, so I know that's the case.

I hear what you're saying. It's different than what the report implies. The report implies that the age of manufacturing in Ontario is over. That's what the report implies. Do you agree with that?

**Hon. Michael Bryant:** The manufacturing—

**Mr. Ted Chudleigh:** Do you agree that the report implies that? I know you don't agree that the manufacturing sector is over. That would be foolish to—

**Hon. Michael Bryant:** Yes, and they don't either. They say that the manufacturing—

**Mr. Ted Chudleigh:** But the report does imply that manufacturing is over.

**Hon. Michael Bryant:** No, it does not. It says that the manufacturing sector has declined over the past few decades and will continue to decline, and the service sector has increased and will continue to increase, which is not to say that there are not creative-class, high-knowledge jobs in the manufacturing sector; there are. There are also high-knowledge jobs in the service sector. It is a fact that the job numbers in the manufacturing sector have decreased as a result of technology—period. It's not a government policy that created that technology; it's the businesses themselves.

**Mr. Ted Chudleigh:** I think there's a quorum call.

**Hon. Michael Bryant:** Adjournment of the House.

**Mr. Ted Chudleigh:** What does that do to us?

**Hon. Michael Bryant:** Lucky.

**The Vice-Chair (Mr. Garfield Dunlop):** Keep going.

**Hon. Michael Bryant:** Okay, keep going.

**Mr. Ted Chudleigh:** Damn.

**The Vice-Chair (Mr. Garfield Dunlop):** We're going to be here till 6.

**Mr. Ted Chudleigh:** Okay. Where was I? Have you read the Macleans magazine report?

**Hon. Michael Bryant:** Yes. I know which one you're referring to.

**Mr. Ted Chudleigh:** It says, "How much would you pay for a map that had all the cities and towns marked, but erased all of the roads and highways that would get you there? I'll go out on a limb and guess that most of us would spend zero dollars. But that is because most of us are not Ontario Premier Dalton McGuinty, whose Liberal government recently dropped 2.2 million taxpayer dollars on a completely useless road map to prosperity." Then it goes on to talk about Ontario in the Creative Age and how everyone can make a whole bunch of money working in the intellectual world, but it doesn't tell us how to get there.

I found the last two paragraphs very interesting.

"In the end, Martin and Florida have done little more than restate Bertrand Russell's witticism about work being of two kinds: 'First, altering the position of matter at or near the earth's surface relative to other such matter; second, telling other people to do so. The first kind is unpleasant and ill paid'—manual labour—the second'—telling people to do manual labour—is pleasant and highly paid."

"Nothing much has changed since Russell wrote that in 1932; the only difference now is that creative elaborations on that basic insight sell for millions of" taxpayer "dollars." "Taxpayer" was my word.

That's what Macleans said about this report. Although there is some reflection in your last budget of some of the things that existed in that report, I would suggest that there is far too little moving Ontario toward that very competitive jurisdiction—with other jurisdictions that are in the manufacturing business in the Great Lakes basin or indeed in the States with which we're competitive.

Have you had a conversation with Roger about how he feels about those opportunities?

**Hon. Michael Bryant:** The report indicates that Ontario is actually very competitive and that the investments in post-secondary education and in early childhood learning, in training and training upgrades on the job and in between jobs, are what a government could do to increase a skill set so that someone could transition to a high-knowledge job if they wished—in addition to our government making it a priority that we invest in companies where that is their future. They are in a future business, quite literally, a next-generation business with next-generation jobs, which includes high-tech, clean tech, biotech, nanotechnology but absolutely manufacturing jobs as well.

To be honest, I find the debate around manufacturing versus service sector—there's an empirical debate and then there's almost a cultural, socio-economic debate; a

political debate, I suppose. The notion is that somehow some judgment is being made on the manufacturing sector, which is not the case. It is the case that the manufacturing sector has been yielding fewer and fewer jobs because of the productivity, and it is the case that the jobs that involve providing value-added services have been increasing. That becomes interpreted as a "no," because I hear it from the Ontario economic council and from representatives of the manufacturing industry. It can be a source of frustration for them that somehow their industry is undervalued. I certainly think that if you look at the investments that the McGuinty government has made in the manufacturing sector, it is the case that we have supported the manufacturing sector to the tune of literally hundreds of millions of dollars and recognized the enormous value, not just for empirical reasons, but because we have members who are representing communities that are exactly where the jobs are—members from Windsor, Hamilton, St. Catharines, Ottawa, across the entire province—where it is a priority, and it will continue to be one for our government.

**Mr. Ted Chudleigh:** When we talk about manufacturing jobs, I really think that in the next period of time, we'll have to separate automobile manufacturing from other manufacturing jobs. There's a certain set of circumstances that are in play to deal with the manufacturing of automobiles which are quite obvious: The Americans are trying to save one of their critical industries, and in so doing, they're forcing Canada and Ontario to match if we want to stay in the game. That is not true in other manufacturing facilities. To base policy on the same criteria, I think, would be a great mistake, to the detriment of many of those manufacturing sectors.

I go back to the selection of winners and losers in that area. If you support one industry in an area, you're doing so to the detriment of all the other companies in that area because you're distorting the marketplace. That can be a great disincentive to companies to remain here. I was going to give you an example of the H.J. Heinz Co., and it slipped my mind as to why, but perhaps I'll get back to that.

1710

High-paying jobs—the intellectual jobs or the brain jobs, as they're sometimes referred to—certainly do exist in some communities. When asking for the shining city on the hill, in that context, you can speak to Switzerland, and you can speak to Hong Kong. Those two communities have been extremely successful in attracting very high-paying jobs and ending up with extremely productive economies. Those are very few and far between, and it's wonderful to aspire to such a position. In fact, Toronto is sitting at a crossroads at this point in time, with one of the strongest financial sectors in the world. With an aggressive approach to this opportunity that is presented to us, Toronto could become one of the financial capitals of the world.

There have been some takeovers, not widely reported. TD Bank has picked off a few of Citibank's choice subsidiaries. I think that CIBC has picked off a few, as

has the Royal. I'm sure there have been more. But as I say, they have not been widely reported, and if you don't talk to the banks, you won't find out about them.

I wonder if, in typical Canadian fashion—one that I don't take exception to—the banks are being a little cautious, and if there isn't some opportunity to become the next shining city on the hill if the government were to provide the opportunity of a competitive marketplace for these banks to operate in.

**Hon. Michael Bryant:** I agree with you. I think you give good advice. We've had organizations rate the Canadian banking system at present as the leading financial services sector in the world. The caution of the system, in fact, and the regulatory state of the system are perhaps what explain the current success and the avoidance of much of the subprime mess. While it does sit within the top five in the world in the rankings, as a financial capital, I agree with you that the ambitions of that sector ought to be, and I hope will be, to either surpass New York—or why not London?—as a financial sector and as a financial capital. There's a role for the federal government to play, it's true, as the regulator, and the extent to which there's a role by the province—

**Mr. Ted Chudleigh:** Are you doing anything about this opportunity, Mr. Minister?

**Hon. Michael Bryant:** We certainly want to, and want to work with the banks in order to do that. One of the ways—perhaps a modest way, but nonetheless one of the ways—that we do so is to market the success of the banks. So advertisements were taken out in international publications—the Economist, I think, but other publications as well—to show off the success of the banking system. The corporate tax reductions in the budget, I believe, support the sector.

Actually, I should turn to the deputy, who has served in both finance and economic development, among others, to talk about ways the province can assist the sector, because I think it's a very good question.

**Mr. Philip Howell:** Thanks, Minister. Certainly, not just the moves in this most recent budget, but the moves taken in earlier budgets and actually accelerated in this budget, in terms of removing the capital tax, are both very significant moves that support banks maintaining and expanding their head office activity here.

Of course, the regulatory structure of the banking system is determined by the federal government, so there is less of a role for the province to directly affect that, and there is certainly no ability to legislate it. But there is very close coordination and co-operation between financial services regulators in the province and federal regulators, to ensure consistency of approach in that regard.

**Mr. Ted Chudleigh:** As a jurisdiction, are we competitive, tax-wise? The banks make profits; their head offices are in Toronto; they pay taxes to Ontario. Are Ontario tax levels competitive with other financial jurisdictions around the world?

**Mr. Philip Howell:** Yes, and when the moves that were announced in this budget are fully in effect, which will be in 2011, the marginal effective tax rates for busi-



ness in Ontario will be the most competitive among jurisdictions in the world. That is something you may want to pursue further with the Ministry of Finance when they appear.

**Mr. Ted Chudleigh:** Yes, I suppose that's a Ministry of Finance thing, isn't it?

**The Vice-Chair (Mr. Garfield Dunlop):** You're down to just a little under three minutes, Mr. Chudleigh.

**Mr. Ted Chudleigh:** Okay.

**The Vice-Chair (Mr. Garfield Dunlop):** You've done a good job, both of you. It's been 40 minutes straight.

**Mr. Ted Chudleigh:** Has it?

The deficit recovery period situation: This borders on finance as well, Minister, but I think it impacts your ministry more than a little bit. In the 2009-10 budget, Minister Duncan announced that an interim deficit of \$3.9 billion was projected, and a deficit of \$14.1 billion in 2009-10, as well as medium-term projected deficits of \$12.2 billion in 2010-11 and \$9.7 billion in 2011-12, for a total of \$36 billion in deficits over the next three years. Do you agree with these numbers?

**Hon. Michael Bryant:** Well, whatever the finance minister's numbers are, I agree with them. I voted for them.

**Mr. Ted Chudleigh:** I understand that. The budget came out in March; this is May. This economy is moving extremely quickly. The Bank of Canada made an announcement in late April that the overnight rate would stay at a quarter of 1% until July 2010. Personally, I can't remember the Bank of Canada projecting interest rates that long out. When they did that, they said this recession was a lot worse than they ever imagined. The economy will have a tremendous impact on these deficit numbers.

I guess what I'm asking is whether you think the \$18 billion over this year and next, which the minister projected back then—are we going to stick with those numbers? Seeing the number of job losses, which are continuing to rise, and the number of companies that continue to slow down, and the number of bankruptcies, which continue to rise, do you think we're operating on realistic numbers in the projection? Do you think we're really going to move into 2.3% growth in 2010? Do you see that in our economy?

**Hon. Michael Bryant:** Well, I—  
1720

**The Vice-Chair (Mr. Garfield Dunlop):** Just a few seconds left, Minister. We'll need to start on the next round.

**Hon. Michael Bryant:** I guess what I'd say is that I not only have a lot of confidence in the finance minister and those projections, but I do agree with him.

**Mr. Ted Chudleigh:** I'm not criticizing the Minister of Finance. I think that at the time and place, his projection was realistic.

**The Vice-Chair (Mr. Garfield Dunlop):** I think we'll cut it off there, guys. We can get back to this.

**Mr. Ted Chudleigh:** You saved him.

**Hon. Michael Bryant:** That's right.

**The Vice-Chair (Mr. Garfield Dunlop):** No, you've got 20 minutes after the government, so you can continue on then.

To the government members.

**Mr. Khalil Ramal:** I know that our government and also your ministry have been visiting many different sites across the province of Ontario, many different companies, to examine those companies and give them some kind of financial support in many different conditions. You came to London-Fanshawe, my riding, and you gave support to a company called Hanwha to produce countertops and to assist them to expand and hire more people and maintain their presence in the province of Ontario.

Are you going to continue your efforts to make sure that those companies in small cities like London and the regions that have suffered a lot from the loss of manufacturing jobs continue to exist and prosper?

**Hon. Michael Bryant:** Yes. It is the case that, by and large, it is business- and industry-led in terms of the companies that work with the government, save and apart from the work that Minister Papatello does with respect to investors outside of Canada, but there is an effort—and it ends up being more of a partnership, I think it's fair to say, between mayors and members of provincial Parliament and the government, local economic development councils and other economic development organizations to try to partner up in particular regions so as to allow a bottom-up local strategy to be supported in some fashion by the provincial government.

There are going to be areas where the provincial government is seeking to lead the economy, but in most cases the leadership is already being provided by the businesses and the local economies. In that sense, the government is playing a supportive role or it's augmenting the efforts. To Mr. Chudleigh's point: We want to give businesses the room to grow and innovate, and I couldn't agree more. The government is not engaged in a prescriptive economy strategy but rather a supportive partnership—and leadership in certain areas: the green economy.

We found that every region has particularly innovative business leaders and workers. The company you speak of is very much an example of that. Other businesses in London and in your riding in particular are regularly working with either the Ministry of Economic Development or the Ministries of Research and Innovation, Small Business, Energy or Finance to try to find ways in which the provincial government can play a supportive role, as the federal government in some areas and in some cases can play a supportive role as well, and as other economic development vehicles can play a role.

I believe that the future is bright amidst these tough times in London, given that we do have a lot of tools at our disposal in Ontario to assist those businesses that other jurisdictions don't have.

**Mr. Khalil Ramal:** Thank you, Minister.

**Mr. Yasir Naqvi:** Minister, I want to pursue a bit of the line of questioning which Mr. Chudleigh was doing

with you about the competitiveness of Ontario. You were talking about the manufacturing sector and that fault lines are starting to appear in the way that manufacturing had traditionally existed in Ontario. I want you to explain to us what the government is doing through its budget, in terms of the tax reform package, to enhance the competitiveness of manufacturing in Ontario.

**Hon. Michael Bryant:** On the taxation front, the specific corporate tax rate cuts and the general corporate tax rate cuts, but the specific ones for manufacturing, when added to the acceleration of the capital tax elimination and the economic incentives provided through the advanced manufacturing strategy, you see a recognition of the government's support of a manufacturing sector that, sure, looks different than it did 25 years ago in that it includes companies like Research in Motion and Celestica and a vast array of high-tech and, hopefully, increasingly green tech and solar and wind companies, energy companies, here in Ontario.

The incentives provided through the Ministry of Energy, and the policy incentives provided there as well, are directed in part at the manufacturing sector. Obviously, the Minister of Energy is in a better position to speak to this. But within the green economy, the goal is to create a cluster from end to end, from emerging technology commercialization through to the manufacturing of it. That is one sector of the manufacturing industry.

There are more traditional examples that could be given around food processing. The food processing plant that provides all the chicken to McDonald's in all of Canada is in southwestern Ontario. The technology is there, but there are a lot of workers engaging in what you might consider to be traditional manufacturing activity. So we're always going to have this mix of innovated manufacturing industries and otherwise.

I'm also convinced that with the convergence of the service industry and manufacturing industry, what for one person is high-tech is perhaps manufacturing for another person. We'll always muddy those waters. The point is that we have a diversified economy. It is not the case that this provincial government has put all of our eggs into a particular basket. But at the same time, one needs to be strategic. Part of our strategic priorities includes the manufacturing sector.

The single sales tax will save businesses half a billion dollars in administrative costs alone. The manufacturers will see a 17% tax cut in July 2010. Other businesses will see a 14% tax cut in the first year and an additional 17% by 2013. Small businesses will see an 18% tax cut on top of the elimination of the capital tax, and the business education tax cuts.

Words of support have come forth from the manufacturing sector. At the last Ontario economic council meeting, the council agreed to provide a letter of, I'll say, support for the budget. I should credit the Ontario economic council and the representatives of the manufacturing sector that were there in terms of their advocacy and input, which certainly played a role in both the fiscal and the real economic incentives that you find here for

the manufacturing sector, and continued support of the real successes that are brought to bear by the leaders in management and the leaders in labour.

**Mr. Yasir Naqvi:** You talked about the harmonization and the administrative cost, a reduction that will result by creating a single sales tax by combining the GST and PST, which will be a tremendous cost savings for the manufacturing sector because of just—there's the paperwork involved and then there's the whole flow-through aspect of it, getting the input tax credit. Right now, as goods are being produced and various little pieces are going through the value chain, as we know, the PST portion of it gets added on and on. So, at the end of the day, when goods are produced, the cost is higher because of the PST portion of it, which is not returned back or credited back to the manufacturer.

1730

Yesterday, we were having conversation about exports and how exports are extremely important for Ontario. Probably the majority of the manufacturing that's taking place is for export purposes. We are the engine when it comes to the economy in Canada, and given the globalized world we live in—NAFTA and the tremendous impact that has had for the Ontario economy, and WTO agreements etc.—can you speak to the impact that combining the two sales taxes would have on the export side of the manufacturing, the ledger we have in this province, and what that really means for our manufacturers that are primarily export-dependent? How does that benefit them?

**Hon. Michael Bryant:** Really, this, as you know, was a major reason, if not the major reason, for the decision to harmonize the sales tax, because the best advice that we received was that in fact that was the single thing that we could do that would best enhance economic growth within Ontario, in particular within the export sector—the goal being that we want to be exporting products, not exporting the wealth. We want to be able to expand our value-added services so we're not doing things like exporting products to other jurisdictions, which then get a value-add that's then exported back into Canada and consumed here.

Ideally, we are more and more increasing the export-oriented economy. So how do you enhance that? There are different ways. You do it by way of economic incentives, but you also do it by way of tax incentives. Looking at the competitive nature and being more competitive in terms of our tax regime, the harmonization meant that we would be that much more competitive, as compared to those jurisdictions that had a harmonized sales tax.

But it's important—and I want to not just give my version of it, but someone who's been in this business a lot longer, and just maybe ask Deputy Minister Howell to talk a little bit more generally about the export economy and the harmonized sales tax.

**Mr. Philip Howell:** At the risk of slipping into some former roles in my public service career, I think that the most significant thing of the harmonization for our exporters is the fact—and this, by the way, is not just for



manufacturers, because the provincial sales tax, and it's not often fully appreciated, applied considerably to business inputs. In fact, a significant amount of the revenue that was raised from the provincial sales tax was actually tax that was charged on inputs into business processes, both manufacturing and in the production of services as well; it doesn't really matter. This was a competitive disadvantage that Ontario companies faced compared to other jurisdictions that didn't have it. It was, frankly, almost a—I wouldn't call it a penalty on our businesses, but it was a cost that was imposed on them that was not imposed in many other jurisdictions. That, far and away, from the business perspective, will be the biggest advantage coming out of the harmonized sales tax, and the value of that speaks to the numbers the minister was talking about earlier. So it certainly will enhance business competitiveness once it's fully implemented.

**Mr. Yasir Naqvi:** Minister—and I know the deputy may not be able to answer this question, given he's the deputy—when we're talking about enhancing the competitiveness of Ontario manufacturers, in my mind—I'm a simple person—we're talking about enhancing or stabilizing the number of jobs that are being created in the province of Ontario. Is that the way you see it?

**Hon. Michael Bryant:** More. It's not just surviving to thrive, which is part of it within the current recession, but it's also expansion. You're seeing companies expanding. Research in Motion being the most obvious example in terms of growth. There are other companies where expansion is taking place, and we want to find ways to lever maximum expansion, so scale as much as we can, and go beyond matching, but rather establishing a jurisdiction that is supremely attractive to business. I think in that sense it's ambitious, and it's ambitious in part because other jurisdictions are engaging in similar conduct, but also we're doing it at the behest of a lot of leadership within the business community itself.

**Mr. Yasir Naqvi:** The question which is often asked is, why now?

**Hon. Michael Bryant:** This is certainly an example of there never being a perfect time. I have little doubt that the previous government contemplated harmonization of the sales tax. I have no doubt that other jurisdictions—most jurisdictions in the world have a harmonized sales tax, and certainly throughout Europe it's just a given. But within Canada as well, I'm sure it's being contemplated.

Is there ever a perfect time to do it? Well, now is the time that people are demanding bold and not low-risk decisions being made by governments. That's what this is. There is an attempt to mitigate the aspects of this which have an impact on consumers that ideally would be avoided. That's done through a variety of methods, the Ministry of Finance being in the best position to speak to it. As well, tax cuts exist for individuals within Ontario. That is found in the budget, and the finance minister often remarks that there's a lot of discussion about the change to the harmonized sales tax and there's a lot of discussion about the lowering of business tax, which is great, but there are also very, very significant individual

tax cuts in there as well, which are particularly beneficial for the least wealthy in our economy, but it's a middle-class tax cut as well.

**The Vice-Chair (Mr. Garfield Dunlop):** You have about two minutes here, guys.

**Mr. Yasir Naqvi:** So with all the tax measures you talked about—the combining of GST and PST, and we talked about the benefits of that both for current manufacturing and for export-related activities; you talked about the reduction of corporate taxes—can you share with the committee what impact that would have in terms of tax rates on new investment moving forward, once all these tax changes are implemented in Ontario?

**Hon. Michael Bryant:** This is great. See, the more you ask these questions and the more I answer them, the more the Minister of Finance is going to wax poetic on the Ministry of Economic Development, so I'd better be careful here.

The goal was to have, on the marginal rate, a big impact, and not an around-the-edges impact. That's what this does. It immediately makes—the cut in the marginal tax rate by a certain stage is around 50%. It is a very significant cut. It is a blast of a jump-start to the economy, and obviously it's phased in over time. But on the impact specifically, I'm going to, for reasons of fiscal and other preservation, defer to the finance minister. It's enough to say that it's going to have a very positive impact.

1740

**Mr. Yasir Naqvi:** So—

**The Vice-Chair (Mr. Garfield Dunlop):** That cleans up your time anyhow. You can come back to it on Tuesday morning. We've got 20 minutes left.

Mr. Chudleigh, you get the last 20 minutes today. Thank you very much to the government party.

**Mr. Ted Chudleigh:** The HST—I didn't realize that was coming out of your ministry. The only comment I would make is that we have supported it, but not at this time. We would like to see it as a revenue-neutral thing. Certainly by the time the implementation rolls around on July 1, 2010, it would be our recommendation that the rate be reduced to about 6.5% from 8%. As near as I can figure, that would make it almost revenue-neutral. The way it sits today, it's going to be a large hardship on an economy that is struggling to recover.

Going back to where we left off, I wasn't trying to set a trap for you, Minister—

**Hon. Michael Bryant:** No, no, I would never accuse you of that. Others, yes.

**Mr. Ted Chudleigh:** Oh, I would.

**Hon. Michael Bryant:** Occasionally I would, but not in estimates.

**Mr. Ted Chudleigh:** I would if I thought I could get away with it.

However, I think it's dangerous to operate on incorrect assumptions. I think we both recognize that in this environment, in this economy, the goalposts are moving at warp speed. It wasn't too long ago that we were hopeful that the recession would begin to climb out of the hole

that we're in in the third quarter of 2009, and the Bank of Canada, in what I think was a monumental move, freezing the overnight rates to the middle of 2010. Certainly the GDP is going to be negative for a while into the future. All of those things create economic conditions that we would really rather not deal with, not the least of which is the deficit.

Personally, I believe that we'll have a great deal of difficulty holding the deficit at—what was it?—the 2009-10 deficit is estimated to \$14.1 billion. Personally, I believe we'll have a lot of difficulty holding that below \$16 billion—it could go to \$18 billion. In so doing, those have implications to the businesses in Ontario and the difficulties that those businesses are going to find themselves in. Reduced levels of taxation would help. Of course, taxation is based on profit, and the profitability of these companies is going to be reduced.

Given your access to economic indicators, how confident do you feel about the future and the current projections of the government?

**Hon. Michael Bryant:** I'm happy to talk about the policies and purposes behind policies that are about the domain of finance and economics. The finance minister has to be careful enough in what he says in terms of the impact that he can have. The last thing he needs is another minister having an impact.

I'll just say good questions, no question about it, Mr. Chudleigh. I think that they are best directed to the Minister of Finance. I'm certainly here to say that I have every confidence that the information that he has provided is exactly as he should have provided it.

**Mr. Ted Chudleigh:** I guess I'm trying to provide advice in the way of asking questions—

**Hon. Michael Bryant:** That I would like. Please. You don't have to ask questions; give me advice—

**Mr. Ted Chudleigh:** My only advice would be, in these uncertain times, that you remain, and the ministry remain, as flexible as you possibly can remain.

I see also that the budget projects some job growth in 2010-11 of 0.8% and 1.6% respectively in those two years. Where do you see this job growth occurring? What sector?

**Hon. Michael Bryant:** Make no mistake about it; I'm not suggesting for a moment that, as I said before, every piece of our manufacturing industry or other industries aren't going to get very hurt; they are, obviously. We're in a recession. We're seeing significant job losses. We're seeing massive drops in demand and therefore massive drops in supply. We're seeing consolidation wars taking place, with an increasingly shrinking marketplace—businesses fighting for that marketplace and subsidiaries fighting within the global marketplace within their global companies.

I'm not great at predicting the future and I'm not going to do that in terms of specific areas of growth, but I can say that the government's emphasis through the green economy policies and legislation and investments that are being made will see growth in that sector. You have already seen growth in some of the high-tech sectors, particularly around communications, which I've

referred to before, and the disrupters of next week that will have an impact, some of which perhaps we can see now, some which we won't.

I anticipate that we're going to see the expected growth of those sectors like aeronautics and digital media. Many of the sectors that are found within the Ministry of Research and Innovation will see growth, and we will see some surprises as well, again thanks to their leadership and the innovation that will climb out of this, particularly during this crisis.

**Mr. Ted Chudleigh:** You didn't mention the commodity groups. With Ontario's wealth in commodities, whether it be food, forestry or minerals—

**Hon. Michael Bryant:** I should have.

**Mr. Ted Chudleigh:**—any comment on any of those three? Forestry has been particularly hard hit.

**Hon. Michael Bryant:** I should have. I'm not sure if I mentioned it here, but for this I thank the Martin Prosperity Institute for producing some information that showed that we are one of only two jurisdictions in the world—Canada, that is, and Ontario in particular—that are extremely rich in both natural resources and human resources. You have developing nations that are rich in natural resources that don't have the level of talent, education and experience and human capital that we have here in Ontario, and obviously you have jurisdictions like the United Kingdom and the United States where there's significant human capital but not the same level of natural resource wealth. So we do have that. Our ability to not only see growth and competitiveness in those sectors but to have the value-added businesses grow around them as well is a significant part of the Ontario economy. It will continue to be supported by the various funds, by the various incentives and also by trying to work with those businesses and partnerships to address any ways in which we can assist on the regulatory side in addressing issues like compliance, approvals and so on as we continue to try to, with all hands on deck, create the environment that's most competitive for those businesses but also support those businesses directly and indirectly, however we can.

**Mr. Ted Chudleigh:** I guess I'd get down to the pulp and paper business in Ontario. It is an industry that is pulled apart by a number of different ministries. The Ministry of Natural Resources, the Ministry of Economic Development and the ministry of northern affairs all seem to have their finger in the pot.

The industry has tremendous potential in that we have the ability to produce some of the highest-quality paper in the world, particularly newsprint. It's interesting that when you're not in Ontario, quite often you pick up a newspaper, and it feels different. It feels heavier; it feels thicker. Apparently, that thickness costs a tremendous amount to ship, and it's made with a different fibre or material. Ontario's newsprint is so strong that it can be manufactured as very, very thin newsprint.

1750

There are a number of statistics that say the average plant in Ontario is relatively very small. Finland has at least two plants, maybe three, that would produce



everything that we produce in Ontario, in 15 or 20 mills or plants—I get confused between those. Some plants have eight or 10 mills within them; others have one or two. So I get confused on that. I always have.

But the opportunity for Ontario's pulp and paper industry to restructure itself on a global level has been there for some time. Is there any stimulant for the Ministry of Economic Development to take hold of that project, act as a lead industry within the Ontario government and do a practical—I don't want to use the word "study," because studies tend to be more esoteric—but do a very practical look at the industry in order to look at how it might emerge from this economic downturn, which might be an opportunity. It's in times like these that sometimes things happen and big things result, whereas they wouldn't happen in good times.

**Hon. Michael Bryant:** Generally speaking, I completely agree, that you see an acceleration of restructuring and reformation of industries during times such as these. It can be pretty painful sometimes.

The lead ministry, as you said, is the Ministry of Natural Resources.

**Mr. Ted Chudleigh:** They won't do anything, by the way.

**Hon. Michael Bryant:** Well, I disagree. The reason for that is both administrative, in terms of taking advantage of the experience and talent within that ministry itself and the people who are there and who work literally with the people working in that industry, but also to ensure that the industry gets not only the attention it deserves but the coordinated policy, of course, between support of the industry from an economic development perspective, and trying to marry that, or, I guess, co-ordinate it, on the regulatory side. As you know, that's why natural resources has the lead there.

But I certainly will undertake to see where and how the Ministry of Economic Development does participate in the kind of support ventures that you speak of.

**Mr. Ted Chudleigh:** I throw it out because the Ministry of Natural Resources is more of a regulatory ministry than a market development ministry. There are no market development priorities in their mandate. They grow the trees and they distribute the trees to the users of the trees. But it's been my experience that they fall in love with the trees, and they would prefer to leave them in the ground rather than use their economic potential. So they are not farming the forest as much as they are preserving the forest.

From an environmental point of view, some of the finest forestry practices in the world take place in Ontario. I give you the Madawaska highlands, the Madawaska forest in eastern Ontario. It's one of the finest forests that you'll find anywhere in the world. It's been selectively cut for 80 to 120 years. It's an absolutely marvellous piece of work. But it yields tremendous amounts of wood each and every year, and will do so forever.

That is something that can exist, but that's not what the pulp and paper industry needs. The pulp and paper industry needs large tracts of land that they can harvest in the same way that we harvest corn. They just do it over a

15- or 20-year period, whereas corn harvesting takes place on a yearly basis.

The Ministry of Natural Resources, as much as I respect the talent of the people who are there, will not be the initiator of the restructuring of the pulp and paper business in Ontario. I think that has to fall in the lap of economic development and trade, and I would encourage you to take that trip.

**The Vice-Chair (Mr. Garfield Dunlop):** Down to about four minutes, Mr. Chudleigh.

**Mr. Ted Chudleigh:** That's about what I have left here, I think.

We're going back to jobs—

**Hon. Michael Bryant:** How's the apple industry? Tell us about the apple industry.

**Mr. Ted Chudleigh:** That would take much longer than four minutes.

**Hon. Michael Bryant:** Well, that's the goal, but—

**Mr. Ted Chudleigh:** I would ask you: Most of the revenue loss this year and in future years will come from declining corporate income tax revenue and declining personal tax revenue. Unfortunately, this is not because of grossly lower tax rates, it's because Ontario businesses—there are fewer of them and they're making less income.

Business productivity and innovation is where Ontario's creative future lies with the Martin and Richard Florida report. I would be interested in your comments as to how you see your ministry boosting business productivity and innovation in Ontario industries. How do you create that environment where business and industry feel concerned about that?

*Interjection.*

**Mr. Ted Chudleigh:** In three minutes.

**Hon. Michael Bryant:** Sure, or probably even less. Look, the innovation percolates out of the businesses themselves, and so does the productivity. Where government can play a role is try to provide support there. One of the ways in which we do it is to provide financial assistance and incentives in order to increase capital investments, in particular around technology, to allow for that productivity to increase.

It also has to take place through the concerted efforts of a ministry literally devoted to innovation: the Ministry of Research and Innovation. Believe me, you could ask Minister Wilkinson this question, and if you could get him to answer it within the three minutes that I have left, I'd be very impressed, because he has much to say about what this government has done on that front. The crux of it is to learn from the innovators, to learn from the incubators of the innovators and to provide the support there, ranging from the assistance around early technology development, through venture capital, the pro-commercialization policies, the tax incentives that exist there, the support of the industry through the investments made through his ministry and this one, all of which is to make that great word "innovation" a reality in Ontario. But I'm going to give you the last word here, Mr. Chudleigh.

**Mr. Ted Chudleigh:** I would refer you to a report that I wrote for the Ministry of Economic Development and

Trade on angel investing. I wrote that report in 2001, I believe, on what the angel investors in this province wanted from the government in the jurisdiction in which they could maximize their opportunities and therefore maximize Ontario's future. And I'll leave my editorial comment unsaid.

**Hon. Michael Bryant:** At [www.tedchudleigh.com](http://www.tedchudleigh.com), you can access the Chudleigh angel investors report, and if not, through the Ministry of Economic Development. Is it still timely?

**Mr. Ted Chudleigh:** I think so.

**Hon. Michael Bryant:** I think so too.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much to everyone for today. We'll be back here at 9 o'clock on Tuesday, May 26 for a one-hour session. We'll be starting with the third party.

I'd like to thank the minister and the minister's staff for being here. Have a great long weekend, everybody.

*The committee adjourned at 1800.*





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# Official Report of Debates (Hansard)

Tuesday 26 May 2009

# Journal des débats (Hansard)

Mardi 26 mai 2009

## Standing Committee on Estimates

Ministry of Economic  
Development

## Comité permanent des budgets des dépenses

Ministère du Développement  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 26 May 2009

Mardi 26 mai 2009

*The committee met at 0905 in room 151.*

## MINISTRY OF ECONOMIC DEVELOPMENT

**The Chair (Mr. Tim Hudak):** Good morning, members of the standing committee and Monsieur Lalonde, parliamentary assistant. Welcome to the committee, deputy and ADM.

Given the pattern we followed in the last meeting, this is what I propose we do this morning: The NDP would have 40 minutes, from 9 a.m. till 9:40. Monsieur Bisson, you would have the floor if anybody joins you from the third party. Then, from 9:40 till 10 a.m. the government members have 20 minutes. That would leave us with about an hour remaining in the total time for economic development and trade, which means we would reconvene at 3:30 for one hour split equally between the three parties, because this morning rotation would even it up. So unless there is a deal between the three parties to change times, that's what I'm proposing.

Mr. Naqvi?

**Mr. Yasir Naqvi:** There's a bit of confusion as to what we agreed to two weeks ago, before we adjourned for the Victoria Day break. We assumed that we agreed that we would just sit this morning, that we had some changes in time allocation, and the committee would adjourn vis-à-vis the Ministry of Economic Development, and the Minister of Energy and Infrastructure would be called in the afternoon. He was, as I understand, sent a notice in that regard and he is prepared to appear before the committee starting this afternoon.

Furthermore, with the changes that have taken place with the former minister no longer being minister as of yesterday, our request is that perhaps we just do the line of questioning this morning, have a vote on economic development and then move on to energy this afternoon.

**The Chair (Mr. Tim Hudak):** As Chair, unless there's agreement by all three parties, I need to make sure that all the time that was requested is used up and divided equally among the three parties according to the rules. I'm not hearing that there is an agreement. If there is an agreement or if you guys want to sort something out, that's fine, and we could start energy and infrastructure at 3:30. However, if there's no agreement, I need to make sure we use that time that was requested and then energy and infrastructure would begin tomorrow.

**Mr. Garfield Dunlop:** I'm sorry, Mr. Chair. I can't agree with what you're saying. The confusion around

it—I simply said that Mr. Chudleigh asked if he could take 40 minutes two weeks ago and use it because Mr. Hampton had to leave. Really, it was just an exchange of time for that. We would like our full seven and a half hours, as far as our party is concerned. I don't know how the NDP feels, but the economic development of this province is a huge issue right now, and whether the minister has resigned—we're quite confident with the parliamentary assistant being here. There are many questions to ask on this, so we can't really agree with your request.

**The Chair (Mr. Tim Hudak):** Mr. Flynn.

**Mr. Kevin Daniel Flynn:** It seems that something would have generated the invitation to the Minister of Energy to be here this afternoon at 3:30. There must have been some agreement in place that generated that invitation.

**Mr. Garfield Dunlop:** Well, he can come at 3:40, then, or at 4:30.

**Mr. Kevin Daniel Flynn:** To suggest there's no agreement in place—something has caused that invitation to be sent, and it's been accepted, as I understand it.

**The Chair (Mr. Tim Hudak):** The members of the committee haven't changed that much. Mr. Dunlop and Mr. Bisson are usually here. I'm not hearing that there was any kind of agreement.

Secondly, originally, yes, energy and infrastructure would be at 3:30 because that's the way the schedule had fallen down. Sometimes there are delays that push—so we have an hour that's pushed into the afternoon, and I, as a custom, as Chair do not like to split up the time. I just don't think that's conducive to our debate. So since we have an hour into the afternoon, I'm going to push back energy and infrastructure till tomorrow when it would begin in whole, unless the three parties represented here at the table come to an agreement about the hour spillage in the afternoon. That's the way I'm going to proceed. It's my duty as Chair to make sure full time is given, unless there's an agreement otherwise.

Mr. Bisson, do you have—

**Mr. Gilles Bisson:** Well, number one, no, we don't agree: We want to use the entire time allotted to these estimates. Number two, the reason it's a little bit off schedule: If you remember, when it came to our rotation, in order to do our lead 30 minutes, I declined it at the time because it would have been chopped up into two positions. So that's why estimates runs into the after-

noon, because some of that time was truncated so that it would all happen under one session. It's not unusual, as you know, Chair, for an estimate of a ministry to finish in the afternoon and then have the other one just come in right after. So that's what we can do this afternoon. That'd be great.

**The Chair (Mr. Tim Hudak):** The way I have operated as Chair, I don't break up the blocks. So if we have an hour of estimates this afternoon to finish economic development and trade, that's it. Energy and infrastructure will begin tomorrow.

**Mr. Gilles Bisson:** That's fine by me. I don't have a problem.

**The Chair (Mr. Tim Hudak):** Folks, I'm not seeing any agreement. I don't have any choice other than to follow the rules and make sure we get the full time allotted.

I want to welcome Monsieur Lalonde to the committee. I know that there was a change with Minister Bryant stepping down as minister, so I appreciate you reacting and coming in. Customarily, the ministers are here before estimates, but under the circumstances, it's obviously very appropriate for Monsieur Lalonde to be here as the parliamentary assistant. We thank you for taking the time and being here to respond to questions this morning. It's good to see the ministry staff as well.

According to the schedule, again, we're a bit behind, but Monsieur Bisson, you will now have 40 minutes in rotation.

**Mr. Gilles Bisson:** Thank you very much. The first question is a very simple one, just for the record—we all know, but for the record: Who's currently the Minister of Economic Development and Trade?

**Mr. Jean-Marc Lalonde:** The Premier is acting as the Minister of Economic Development and Trade at the present time.

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**Mr. Gilles Bisson:** What's interesting is that Mr. Bryant, in his exit, was somewhat vocal in regard to one of the reasons he was leaving. In one of the articles that I read this morning, he was pretty clear that he felt he was pretty ineffective in his abilities as a minister to carry out his duties because everything was decided by way of the Premier's office. I'm just wondering if you have any comments along that line.

**Mr. Jean-Marc Lalonde:** I wouldn't agree at all with those comments.

**Mr. Gilles Bisson:** Are you lining up for the job?

**Mr. Jean-Marc Lalonde:** Certainly not. It's a very, very important job.

**Mr. Gilles Bisson:** I raise it because normally it's the ministers. Yes, the rules allow for the parliamentary assistant to be here, and I understand that. My point that I'm making to you is—and I'd just like to know your thoughts—if Mr. Bryant felt ineffective and he was correct that the Premier had a big hand in making decisions about what happens at the ministry, wouldn't it have been more appropriate to have the Premier here to

answer the questions about economic development and trade?

**The Chair (Mr. Tim Hudak):** It's probably more so for the Chair. It is customary, I think, as Monsieur Bisson and members of the committee know, that the Premier—I don't know if ever—whatever government comes before the committee. We did have George Smitherman come before us as the Deputy Premier when the Premier's office was called. I do believe, under the circumstances, that it's appropriate that the parliamentary assistant is here to respond to questions.

**Mr. Gilles Bisson:** I understand the rules; I've been here for 20 years. I understand that the PA can be here. That's not my question. My question to Mr. Lalonde is, if Mr. Bryant is correct and he was leaving his job as minister to go into his new job because he felt he was not as effective as he could be, because the Premier controlled what happened, do you not think it would make more sense to have the Premier answering, since he's the one who made most of the decisions at the ministry anyway?

**Mr. Jean-Marc Lalonde:** I'm pretty sure that you're fully, fully aware of the Premier's busy schedule. Sometimes you just cannot cancel a commitment that you have made previously.

**Mr. Gilles Bisson:** Have you had any instructions from the Premier in regard to these estimates, as of this morning or last night?

**Mr. Jean-Marc Lalonde:** The instructions I have are that I'd be working with the deputy minister on any questions that will be addressed.

**Mr. Gilles Bisson:** Does this mark any kind of change in policy in regard to this ministry, now that you no longer have a minister and the Premier is the de facto minister?

**Mr. Jean-Marc Lalonde:** I don't foresee any changes, but that will be up to the Premier.

**Mr. Gilles Bisson:** All right. So we're right back to where we started.

You will know, obviously, as a member of the government and this assembly, that we are in a very tough economic situation. The government, for good reason, is trying to put together some kind of a package in order to assist the auto industry. We would all agree that the auto industry is one of those key industries that has to be supported in some way. My question to you is:

Considérant que l'industrie forestière était à travers ces problèmes—ça fait asteure trois ou quatre ans qu'une industrie forestière se trouve exactement dans la même situation—pour quelle raison, dans ton estimation, le gouvernement provincial n'a-t-il pas pris un intérêt aussi grand avec l'industrie forestière qu'il prend maintenant avec l'industrie automobile?

**M. Jean-Marc Lalonde:** Je dois dire, M. Bisson, que l'industrie forestière passe peut-être une période de temps très difficile à travers le pays, et non seulement à travers le pays mais aussi dans les autres pays semblables au nôtre. Notre gouvernement, aussi bien que notre ministère et puis le ministère des Richesses naturelles, a travaillé très fort afin de subvenir aux besoins de l'industrie forestière.



**M. Gilles Bisson:** Excuse-moi; ma question était, pour quelle raison le gouvernement n'a-t-il pas pris un intérêt aussi en mettant en place des plans de restructuration pour l'industrie forestière tel qu'il essaie de faire avec l'industrie automobile?

**M. Jean-Marc Lalonde:** Je crois qu'on a déjà pris la position nécessaire afin de répondre à des besoins tels que mentionnés dans le dernier budget. Pour avoir plus de détails, je demanderais au sous-ministre s'il pourrait répondre à cette question de façon plus précise.

**M. Gilles Bisson:** Non, non, je suis bien content de le faire avec toi. On est deux francophones; on peut se parler. C'est bien le fun. C'est innovateur. Est-ce qu'il parle français, ce monsieur-là?

**Mr. Jean-Marc Lalonde:** Do you understand French?

**Mr. Philip Howell:** No, I don't understand French, and the translation is not working here. I'm sorry.

**M. Gilles Bisson:** Merci. Ma question, monsieur Lalonde, est très simple : quel programme peux-tu nous indiquer aujourd'hui, qui était un programme au moins proche à ce qu'on fait dans l'industrie forestière, qui était offert à l'industrie des forêts? Peux-tu me donner des spécificques des programmes, quelles réponses ils avaient eues?

**Mr. Philip Howell:** Monsieur Bisson, as you know, the responsibility for the forest industry rests with the Ministry of Natural Resources. They have several programs that are in place to support the forest industry, and those have been established and are there, but the responsibility for dealing with the forest products industry rests with the Ministry of Natural Resources.

**M. Gilles Bisson:** Monsieur Lalonde, l'industrie forestière représente, en chiffres de conséquences, combien pour l'économie ontarienne?

**M. Jean-Marc Lalonde:** J'ai déjà vu des chiffres, mais je ne pourrai pas m'aventurer sur ça dans le moment puisque je n'ai pas la réponse pour vous. Encore une fois, comme le sous-ministre vient de mentionner, cette question tombe sous la juridiction du ministère des Richesses naturelles.

**M. Gilles Bisson:** L'industrie forestière représente pour l'Ontario quoi : le numéro un, numéro deux ou numéro trois des industries importantes pour la province de l'Ontario?

**M. Jean-Marc Lalonde:** Certainement pas un ou deux, je pourrais vous dire ça, mais je ne sais pas à quel niveau elle est.

**M. Gilles Bisson:** Intéressant. C'est numéro deux, mais je veux demander cette question ici dans le sens que, si l'industrie forestière est la deuxième ou troisième plus importante industrie en chiffres bruts pour l'Ontario, est-ce que c'est non, votre ministère n'aura pas un intérêt pour s'assurer que cette industrie est sauvegardée?

**M. Jean-Marc Lalonde:** Surtout dans le domaine de développement économique, je peux vous assurer, monsieur Bisson, que notre ministère travaille conjointement avec le ministère des Richesses naturelles. Il est toujours à la recherche de programmes pour venir en aide à l'industrie forestière.

**M. Gilles Bisson:** Spécifiquement, quels programmes est-ce que votre ministère offre pour être capable d'assister l'industrie forestière?

**M. Jean-Marc Lalonde:** Encore là, je dirais que la question doit être adressée au ministère des Richesses naturelles.

**M. Gilles Bisson:** Donc, on a un ministère du Développement économique de la province de l'Ontario qui n'a pas de programme et aucun intérêt envers une des plus importantes industries en Ontario. C'est ça, la réponse?

**M. Jean-Marc Lalonde:** Vous ne pouvez pas dire « aucun intérêt », parce que moi-même j'ai visité plusieurs industries, de pâte et papier ainsi que de bois, dans votre propre circonscription. J'ai rencontré les responsables, les maires dans les régions. Nous avons discuté à notre ministère, et puis encore là c'est qu'il y a eu des discussions qui ont été tenues avec le ministère des Richesses naturelles et aussi la section dirigée par le ministre Michael Gravelle.

**M. Gilles Bisson:** Mais toi, quand tu as fait tes visites—tu fais ça comme adjoint parlementaire au ministre du Développement économique?

**M. Jean-Marc Lalonde:** Non, monsieur Bisson.

**M. Gilles Bisson:** Tu ne l'as pas fait à titre d'adjoint parlementaire?

**M. Jean-Marc Lalonde:** Non, exactement. J'ai rencontré des personnes. J'étais là pour faire une ouverture du bureau de tourisme à Kapuskasing, par exemple. Je suis allé pour le ministère de la Formation et des Collèges et Universités à Timmins. Je suis allé à Hearst pour regarder aussi les demandes qu'ils avaient pour la production d'électricité, donc pas à titre d'adjoint parlementaire du ministre du Développement économique.

*Interjection.*

**Mr. Gilles Bisson:** Do you like them? I'll be able to read. Ça, c'est drôle. Je suis arrivé à l'ouvrage sans mes lunettes. J'ai besoin d'en emprunter à quelqu'un. J'ai les lunettes—autrement, pas une personne comme moi.

**Mr. Bob Delaney:** They're you, Gilles, they're absolutely you.

**Mr. Gilles Bisson:** They're absolutely me. Ça, c'est drôle.

Donc, tu as fait ces visites-là comme député simple du gouvernement, non pas pour le ministère. Ma question : dans ces réunions-là que tu as eues avec le monde de Hearst, de Kap et d'autres communautés, quelles recommandations est-ce que tu as ramenées au ministère du Développement économique envers des solutions aux problèmes dans cette industrie?

**M. Jean-Marc Lalonde:** Je n'ai pas visité les régions de votre circonscription—surtout beaucoup de moulins à papier, l'industrie forestière. On avait toujours la discussion des problèmes auxquels on faisait face dans l'industrie forestière dans votre région. Je peux dire qu'à mon retour, j'en ai discuté avec mon ministère du temps, avec la ministre Sandra Pupatello, qui était ministre du Développement à ce temps-là.

**M. Gilles Bisson:** Puis le résultat était des initiatives de votre ministère qui ont été mises en place ?

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**M. Jean-Marc Lalonde:** Non.

**M. Gilles Bisson:** Donc il n'y a pas eu d'initiatives envers votre ministère pour répondre aux problèmes économiques auxquels l'industrie forestière fait face ?

**M. Jean-Marc Lalonde:** À mon point de vue, non, pas encore.

**M. Gilles Bisson:** Donc, je reviens sur ma question principale : si on a un ministère du Développement économique, ce ministère, n'aurait-il pas intérêt à s'assurer que l'industrie, telle que l'industrie forestière, soit en mesure d'avoir l'assistance du gouvernement provincial à travers ces temps difficiles qu'on a eus les derniers quatre, cinq ans ?

**M. Jean-Marc Lalonde:** Définitivement, nous avons de l'intérêt pour, autant que possible, retenir les emplois qui sont en place et même créer des emplois. Puis je peux dire que nous avons actuellement trois programmes qui sont en place : forest sector prosperity fund, loan guarantee program, northern pulp and paper electricity transition program. Mais encore là, ce sont des programmes sur lesquels nous devons travailler avec le ministère des Richesses naturelles.

**M. Gilles Bisson:** Je suis content que finalement ton « staff » t'a donné un petit « briefing » avec ce qui se passe à l'intérieur du ministère et avec le gouvernement. C'était le point que j'essayais de faire. Donc, tu n'es pas complètement sûr de ce qui se passe dans ce ministère-là; je peux voir ça.

**M. Jean-Marc Lalonde:** Nous avons tous des responsabilités et des dossiers avec lesquels on doit travailler, et puis ce dossier-là, c'est travailler avec les responsables des richesses naturelles ainsi que les personnes responsables dans notre ministère.

**M. Gilles Bisson:** Mais la situation est que le premier ministre, c'est lui qui va être responsable de ce ministère, et toi, comme adjoint parlementaire, on va demander que tu joues un rôle, j'imagine, beaucoup plus important. Tu ne penses pas que ce soit intéressant pour le public qu'on donne à l'assistant parlementaire un meilleur « briefing », sachant quels sont les programmes dans son ministère ?

**M. Jean-Marc Lalonde:** Monsieur Bisson, on doit être juste dans la question. L'annonce n'a pas été faite que samedi matin et puis là, une journée après—je dis bien « une journée après »—vous arrivez avec ces questions-là. Le premier ministre doit actuellement regarder ce qui va survenir avec ce ministère-là, qui va être appointé à titre de ministre responsable.

**M. Gilles Bisson:** Combien de temps est-ce que ça fait que tu sois assistant parlementaire au ministère du Développement économique ?

**M. Jean-Marc Lalonde:** Dans ce ministère-là, depuis qu'il a été mis en place, ça fait peut-être neuf mois.

**M. Gilles Bisson:** Neuf mois ? Puis on ne t'a jamais donné un « briefing » avec quelles politiques que t'as ?

**M. Jean-Marc Lalonde:** Mais définitivement il y a eu des « briefings ». Nous avons plusieurs dossiers, mais la

question que vous me posez devrait s'adresser au ministère des Richesses naturelles.

**M. Gilles Bisson:** Ma question était, qu'est-ce que ton ministère fait pour assister l'industrie forestière ? La première réponse est que c'est la responsabilité du MNR, et là, finalement, ton ADM t'a donné une note disant que oui, on a trois programmes en effet à travers le gouvernement, et tu les as mentionnés. Donc la question devient, es-tu au courant ? Sais-tu en détail quels sont ces programmes ?

**M. Jean-Marc Lalonde:** Je dois dire que je ne suis pas pleinement au courant, mais je sais que les deux ministères, le ministère des Richesses naturelles et le ministère du Développement économique, travaillent conjointement afin d'arriver avec des réponses pour venir en aide. Mais il faut regarder si le marché existe.

**M. Gilles Bisson:** Donc on a un ministère qui a de l'argent, qui a des programmes, qui assiste aussi avec d'autres ministères pour répondre aux besoins des industries, telles que l'industrie forestière, et que tu n'es pas tellement au courant de comment ça marche, si j'ai bien compris.

**M. Jean-Marc Lalonde:** Bien, je dois dire encore une fois, monsieur Bisson, que les questions que vous m'adressez ne devraient pas s'adresser à moi ? elles devraient s'adresser au ministère des Richesses naturelles. Là, ce que le ministère des Richesses naturelles—

**The Chair (Mr. Tim Hudak):** Folks, I've got to interrupt at this point. I appreciate the debate. You've asked the question, Monsieur Bisson, several times, and if you keep asking—you choose how you ask your questions, but clearly these are programs that are under MNR. I think Monsieur Lalonde has responded to your concerns. If you want to continue to pursue it, you can, but the ministry doesn't have to respond to questions that are outside of its purview for estimates.

**Mr. Gilles Bisson:** Thank you for your assistance. You're such a good Chair.

**The Chair (Mr. Tim Hudak):** I'm just trying to be helpful.

**M. Gilles Bisson:** I will return to my questions. Le point que je fais : la raison pour laquelle je te demande ça, mon cher collègue, est que, comme tu le sais, ça fait quatre, cinq ans que l'industrie forestière est en pleine crise. On a municipalité après municipalité qui a perdu ses employeurs. Tu le sais ? tu en as visité toi-même. Le sens du public et le sens des maires et des conseillers dans ces municipalités est que le gouvernement provincial n'a pas répondu à la crise de l'industrie forestière. La raison pour laquelle je te demande ça est que ton ministère est un des ministères les plus importants en Ontario.

Moi, je suis d'accord avec M. Garfield, qui a dit : « Écoute, dans l'économie, le ministère joue un rôle clé quand ça vient à être capable d'assister ce qui se passe avec notre économie. » C'est pour cette raison que je te pose cette question. Ton ministère, quant à moi, doit avoir un intérêt dans cette industrie parce qu'il se trouve que c'est une des plus grosses industries dans la province de l'Ontario.



Donc, tu as mentionné qu'il y a trois programmes. Les trois programmes encore sont—can I have a pen? J'ai des questions spécifiques.

**The Chair (Mr. Tim Hudak):** Deputy—

**Mr. Philip Howell:** Thank you, Mr. Chair. The programs that Mr. Lalonde was referring to are administered by the Ministry of Natural Resources. They include the forest sector prosperity fund, a loan guarantee program and the northern pulp and paper electricity transition program. There are three other programs: the forest access roads program, the forest resource inventory program and the Ontario wood promotion program.

**M. Gilles Bisson:** So my question is this: Monsieur l'adjoint parlementaire, est-ce que ton ministère a une main de fer faisant affaire avec les demandes qui viennent du secteur de l'industrie forestière envers les emprunts, dans le programme d'emprunts pour l'industrie?

**M. Jean-Marc Lalonde:** Je vais demander au sous-ministre de répondre à cette question.

**M. Gilles Bisson:** Donc toi, tu ne sais pas. Okay.

**The Chair (Mr. Tim Hudak):** Well, again, let's be clear here. These are programs under the Ministry of Natural Resources.

**Mr. Gilles Bisson:** But there's co-operation between ministries, and I want to determine if this ministry is involved at all in the forestry industry. It's a perfectly good question.

La question encore est, est-ce que votre ministère—avez-vous un mot à dire faisant affaire avec les interactions entre l'industrie forestière et le gouvernement provincial à travers les programmes du MNR ou autres?

**Mr. Philip Howell:** I think, Mr. Bisson, as you know, there are a number of different ministries in the government that have economic development responsibilities associated with them. Through committee processes, through regular meetings at the officials' level—all sorts of meetings at the deputy, ADM and director level—there is a lot of interaction and discussion among ministries around programs. The ultimate responsibility for the forest products industry rests with the Ministry of Natural Resources. That doesn't mean that from time to time their officials won't consult with ours and, indeed, that their minister wouldn't consult with the Minister of Economic Development to discuss issues.

As you know and I think can appreciate, in many cases the issues are very complex and solutions touch upon the responsibilities of many, many ministries. Consequently, it's necessary for ministries to work together to resolve problems. But ultimately, there has to be a point of accountability for program spending, and in the case of the programs that are available to support economic development of the forest products industry, that accountability rests with the Ministry of Natural Resources. But of course, there is discussion among different parts of the government that have economic development responsibilities.

**M. Gilles Bisson:** Tu commences à répondre à ma question. Monsieur l'assistant parlementaire, ma question était : quelle est l'interaction de ton ministère avec les

autres ministères et avec l'industrie forestière? On vient juste d'entendre ton monsieur dire qu'en effet, oui, on se consulte de temps à autre. Je comprends très bien que c'est le ministère des Ressources naturelles qui est le responsable à la fin de la journée. Ça fait assez longtemps que je l'entends ici, mais la question devient, y a-t-il quelqu'un à l'intérieur de ton ministère qui est responsable de ce dossier?

**M. Jean-Marc Lalonde:** Je vais demander au sous-ministre de répondre.

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**M. Gilles Bisson:** Donc, tu ne sais pas s'il y a quelqu'un. Si je te demande quels sont le numéro de téléphone et le nom de la personne, tu ne sais pas. Non? Okay.

**M. Jean-Marc Lalonde:** Mais je peux te répondre qu'il y avait une certaine personne qui était là lorsque j'étais au ministère du Développement économique, et de la formation. Mais actuellement je ne pourrais pas répondre.

**M. Gilles Bisson:** Donc c'est qui, monsieur l'ADM—

**Mr. Philip Howell:** Just for the record, I'm not the ADM; I'm the deputy.

**M. Gilles Bisson:** Excusez-moi, monsieur. Vous avez eu une promotion aujourd'hui.

**Mr. Philip Howell:** There are people and there are programs that we have. There are times when forest product companies can apply to those programs, programs like the Next Generation of Jobs Fund and so on, and there are, obviously, officials who are aware of the industry and what goes on, but the responsibility and the primary relationship management responsibility for the forest products industry rests with MNR.

We do have one director who is present today who from time to time would be involved in working with forest product companies.

**M. Gilles Bisson:** Donc, vous avez quelqu'un d'appointé à votre ministère qui est responsable pour les interactions et pour les demandes de l'industrie forestière? Il y a une section dans le ministère, j'imagine, monsieur l'assistant parlementaire?

**M. Jean-Marc Lalonde:** Je vais laisser—

**Mr. Philip Howell:** The primary responsibility for dealing with the forest products industry rests with the Ministry of Natural Resources. We work collaboratively with other ministries, we make our expertise available and our advice available to staff in other ministries to deal with issues and we offer appropriate support, so yes, there are several people who, from time to time would be engaged in discussions with staff from MNR relating to forest product companies.

**M. Gilles Bisson:** À l'intérieur du ministère, y a-t-il quelqu'un qui est appointé la personne de contact pour l'industrie forestière?

**Mr. Philip Howell:** We don't have a specific forest industry section; we have people in our sectors division who have experience with the forest products industry and who, as needed, would engage with MNR staff as required.

**M. Gilles Bisson:** Considérant que l'industrie forestière est pas mal clé et important pour l'économie de l'Ontario, est-ce que votre ministère ne doit pas prendre un plus grand intérêt envers cette industrie pour assister?

**M. Jean-Marc Lalonde:** Je peux répondre, monsieur Bisson, à une partie de cette question. Nous tenons des discussions concernant la création ou la préservation d'emplois, et nous avons des programmes comme AMIS, advanced manufacturing investment strategy, que je peux dire même l'industrie forestière dans votre ville même à Timmins—nous avons eu des discussions, nous leur avons offert le programme, mais encore là on doit travailler avec le ministère des Richesses naturelles.

**M. Gilles Bisson:** Donc, il y a des programmes? on n'est pas exactement sûr comment ils marchent. La plupart est autour du ministère des Richesses naturelles. Mais vous avez une couple de programmes, par exemple, ce que vous avez appelé—Next Generation of Jobs Fund, c'est quoi en français? Les emplois de la nouvelle génération, j'imagine. Y a-t-il eu des demandes qui ont été faites par l'industrie forestière dans ce programme de votre ministère? J'imagine que c'est «les nouvelles générations» ou quelque chose comme ça.

*Interjection.*

**M. Gilles Bisson:** Ah, bonjour monsieur. Vous êtes capable de nous indiquer qui vous êtes?

**M. Fernando Traficante:** Je m'appelle Fernando Traficante mais je ne peux pas parler un bon français.

**M. Gilles Bisson:** Tu parles très bien, monsieur. Voyons, je te comprends.

**The Chair (Mr. Tim Hudak):** He's pretty good.

**Mr. Gilles Bisson:** Il est très bon.

Donc ce programme de la prochaine génération des emplois : y a-t-il des applications qui ont été faites par l'industrie forestière à l'intérieur de ce programme?

**Mr. Fernando Traficante:** Excuse me. I didn't connect my earphone. But if I understand the gist of your question, you're asking whether forestry companies have applied to the advanced manufacturing—

**M. Gilles Bisson:** Pas seulement les compagnies forestières, mais le monde dans le secteur de l'industrie forestière, parce qu'il y a aussi value added.

**Mr. Fernando Traficante:** I work very closely with my counterpart in the Ministry of Natural Resources who is responsible for the forestry sector prosperity fund. That entails several things. One is that I participate with him on his committees in terms of evaluating their proposals that come forward. Second, when we work with companies, we get intake from various ministries that have companies that may be appropriate for the programs, either the advanced manufacturing investment strategy or the Next Generation of Jobs Fund.

When my counterparts in the Ministry of Natural Resources identify a company which may apply to one of my two programs, they would connect us with that company and we would provide them with advice with respect to preparing an application.

**M. Gilles Bisson:** Est-ce qu'il y a beaucoup de connaissance, de la part de ceux dans cette industrie, de ces

programmes, monsieur Lalonde? Quelle sorte d'effort est-ce qu'on fait au gouvernement pour s'assurer que les petits entrepreneurs et même les grosses industries forestières connaissent ces programmes-là? Y a-t-il une manière de communication?

**M. Jean-Marc Lalonde:** Lorsqu'une industrie est à la recherche de programmes, on a définitivement le site Web qui va les informer sur les programmes existants du ministère, puis assez souvent nous avons des articles dans les journaux qui décrivent les programmes. On doit toujours dire que les représentants du ministère qui font la tournée doivent promouvoir les programmes qui sont en place.

**M. Gilles Bisson:** Donc votre programme, Next Generation of Jobs Fund : vous avez vu beaucoup d'applications de l'industrie forestière à l'intérieur de ce programme?

**Mr. Fernando Traficante:** No, we haven't had a lot of applications from the forest industry for the Next Generation of Jobs Fund. We have had more applications under the advanced manufacturing investment strategy, for a couple of reasons. One is, the advanced manufacturing strategy has been around a little longer. Second, it's designed, really, to focus on the manufacturing process; that is, to upgrade and improve the manufacturing process. Forest companies, particularly on the pulp and paper side, that have been making investments have been focusing on those sorts of upgrades. The challenge—and I'll be frank about it—is that those companies have difficulty in terms of bringing together all the financing required in order to make those investments. So there have not been very many investments recently in that regard.

I should point out, though, that I have participated, and my colleagues have participated, in seminars organized by the Ministry of Natural Resources for companies from the north on all of the funding programs which might be available, and we've described them in quite a bit of detail and provided one-on-one consultation with respect to them in terms of how they might apply to the programs.

**M. Gilles Bisson:** Donc, la plupart des applications ne viennent pas de l'industrie forestière. Le long puis le court de l'histoire : la plupart vient de l'industrie manufacturière. Est-ce que vous pensez que c'est un manque d'opportunité? En d'autres mots, est-ce qu'on a besoin de devenir plus actifs, comme gouvernement et comme votre ministère, pour trouver des manières de regarder les opportunités pour l'industrie forestière? Par exemple, on sait que l'industrie de base pour eux autres est la forêt, c'est les deux par quatre, les deux par six, c'est le pâte de papier, mais c'est aussi d'autres opportunités pour faire des produits avec ça, des produits finis. Voyez-vous une opportunité d'accélérer l'intérêt dans la valeur ajoutée par ces industries? Si oui, qu'est-ce qu'on fait pour être capable de promouvoir ces initiatives?

**Mr. Fernando Traficante:** The key to the two programs that I'm responsible for in the ministry, the Next Generation of Jobs Fund and the advanced manufacturing



investment strategy, is that they look for innovation. So they are applicable to companies that are doing something which is innovative.

When you look at how that applies to the forest industry, it looks at two different things. One is, if you were doing a pure process improvement, what is there about that process improvement, either in terms of providing value-added forest products or improving the pulp and paper processes, that might be innovative? It's more than just simply purchasing machinery. Machinery in those industries can be very expensive: \$500 million for a paper machine, for example. But if it's simply a paper machine which is bought off the shelf, there's nothing innovative about it.

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What we look for is, what is the company doing which would make a difference to the production process to make it innovative and to make it move forward in terms of its competitive position in the marketplace? So we are working with companies around value-added wood products.

**M. Gilles Bisson:** Donc, le long puis le court de l'histoire est qu'il y a beaucoup d'opportunités dans l'industrie forestière pour la valeur ajoutée. Dans ton estimation, monsieur Lalonde, trouves-tu qu'on pourrait en faire plus dans votre ministère pour accélérer les intérêts du secteur privé pour investir dans ce domaine?

**M. Jean-Marc Lalonde:** On est toujours à la recherche de l'innovation, donc tout dépend vraiment des demandes et puis les consultations qui se font entre ministères et puis les dirigeants d'entreprises.

**M. Gilles Bisson:** Là on voit, par exemple, que votre ministère est impliqué dans l'industrie de l'automobile. Avec ce qui se passe avec les négociations pour GM et Chrysler, vous êtes impliqués dans ces dossiers faisant affaire avec des emprunts qui sont en train d'être discutés dans les manchettes présentement, oui?

**M. Jean-Marc Lalonde:** On est en discussions. C'est ce que je pourrais dire pour le moment.

**M. Gilles Bisson:** Donc, c'est vrai que le gouvernement provincial, avec le gouvernement fédéral, va faire des emprunts, des prêts à ces compagnies—GM, Chrysler—pour les assister à travers ce temps économique difficile où ils se trouvent?

**M. Jean-Marc Lalonde:** On ne peut pas encore dire qu'on va faire des emprunts. On n'est pas rendu à ce point-là. On est encore en discussion.

**M. Gilles Bisson:** Vous êtes en discussion. En d'autres mots, vous êtes intéressés à les aider? Oui?

**M. Jean-Marc Lalonde:** Comme d'autres industries.

**M. Gilles Bisson:** Vous êtes intéressés—écoutez: on a présentement plein de manchettes chaque jour qui parlent des gouvernements provincial et fédéral qui sont en discussion pour être capables de voir comment pouvoir assister ces industries d'automobile, oui?

**M. Jean-Marc Lalonde:** Oui.

**M. Gilles Bisson:** Okay. Pour quelle raison—on ne trouve pas ça acceptable, qu'une compagnie comme GM peut faire faillite mais qu'on peut accepter une com-

pagnie comme AbitibiBowater, qui vient d'annoncer qu'elle fait faillite, et on n'a pas d'initiatives ou d'efforts pour être capable de contourner leurs problèmes économiques. On trouve ça un peu drôle.

**M. Jean-Marc Lalonde:** Ça va à tous les niveaux. Il n'y a pas seulement l'industrie d'automobile que l'on consente dessus actuellement afin de préserver les emplois ou afin de s'assurer qu'elle puisse continuer en affaires. Lorsque la demande survient, il y a certainement des pourparlers qui se poursuivent entre les secteurs, que ce soit le secteur forestier ou d'autres secteurs.

**M. Gilles Bisson:** Qu'est-ce que votre ministère fait ou le gouvernement fait pour assister la question des faillites des grosses entreprises dans l'industrie forestière, telles qu'AbitibiBowater?

**M. Jean-Marc Lalonde:** Je vais demander au sous-ministre de répondre à cette question.

**Mr. Philip Howell:** The government has provided a substantial amount of support to Abitibi since 2005, but that support has been provided through the programs that the Ministry of Natural Resources operates. Certainly the government is working with AbitibiBowater, but the lead responsibility for those dealings is through the Ministry of Natural Resources.

**M. Gilles Bisson:** Ma question est que cette compagnie est en faillite. Vous savez qu'AbitibiBowater a annoncé « chapter 11 », et ici au Canada toute la question d'une « bankruptcy », de faillite. Est-ce qu'il y a des plans de la part du gouvernement provincial de faire quelque chose avec l'industrie forestière qui est proche de ce qu'on essaie de faire avec l'industrie d'automobile pour ces compagnies en faillite?

**Mr. Philip Howell:** The ministerial responsibility for dealing with AbitibiBowater rests with the Ministry of Natural Resources, and that's where a question of this sort should be directed.

I would note that the government has provided significant support to Abitibi in recent years through a variety of programs, but we are not involved. "We," being the Ministry of Economic Development, are not involved in discussions around bankruptcy—

**M. Gilles Bisson:** Êtes-vous capable de détailler combien d'assistance le gouvernement provincial a donné à Abitibi à travers d'autres ministères?

**Mr. Philip Howell:** My understanding is that since 2005, more than \$154 million has been provided.

**M. Gilles Bisson:** Donc, la question revient. Comme vous le savez, l'industrie d'automobile—on a déjà prêté, je pense que c'était 240 \$ millions, à GM à Oshawa, faisant affaire avec l'ouvrage qu'ils ont fait là, avant même parler de regarder à quoi faire pour prévenir qu'ils fassent faillite. Pour quelle raison le gouvernement provincial trouverait-il inacceptable que pour l'industrie automobile, on ne peut pas allouer qu'elle fasse faillite, mais quand ça vient à l'industrie forestière, on a une approche différente?

**Mr. Philip Howell:** I can speak about what's motivating the decisions with respect to the auto company support. It's a reflection of the significant size of those

sectors in the economy of the province and the significant impact that an uncontrolled bankruptcy, or just allowing the companies to liquidate, would result in.

I appreciate the importance of the forestry sector in many communities across northern Ontario, but with respect, and as you know, the economic data provided by Statistics Canada would support this: The size of the auto and auto supplier industry in the Ontario economy is greater. That's a fact. I'm not commenting on the decisions that are made at the political level around various degrees of support.

I would note that in the context of ministerial responsibility, the auto industry does reside with the Ministry of Economic Development; the forest products industry resides with the Ministry of Natural Resources.

**Mr. Gilles Bisson:** Let me just say this in closing—I've only got two minutes: Everybody understands that we have to assist the auto industry. There's nobody who argues that fact. But what is really passing strange to many people is that an industry such as the forest industry, which is one of the key industries in Ontario, has a somewhat indifferent response from the government as compared to what we're doing with auto. As soon as auto started to get in trouble, it was, "All hands on deck, everybody line up, we've got to do something." In northern Ontario, the forest industry—the municipalities, the workers, everybody, have had all kinds of organizing to try to get the government's attention to respond to what's happened in the forest industry, and what we've had has been pretty pale in comparison to what we've seen in auto.

So yes, we need to assist auto. There's no question about that. There's nobody on this committee who would argue differently. But I find it passing strange, along with a whole bunch of other people, that one of the key industries in Ontario, the forest industry, gets very different treatment from this provincial government as to their economic problems—because they were the first to feel it. The forest industry was the first into this recession. As of four or five years ago, we started seeing the plant closures, we started seeing the downturn within that industry, and the response of the government was, "Well, let things shake out. The private sector will work it out." The Premier said, "Whoever is left standing after these mergers will be stronger, and life will go on." We didn't take that approach when it came to GM and Chrysler, and Ford is a different story. The government understood that, yes, the government has a responsibility to protect those industries that are important to our province.

I've just got to say I'm mighty disappointed, along with a whole bunch of other people, in regard to what this government's approach has been, and that this ministry, the economic development and trade ministry, doesn't have a larger role to play in it, I think, is indicative of the problems that we have.

Yes, MNR is responsible, but your ministry, Monsieur Lalonde, I would argue, should be one of the key ministries that's there for all sectors of our economy. To

say that this ministry doesn't have as direct a role as it should have when it comes to key sectors like forestry, I think, is a disservice to the economy. I think it speaks volumes about the disinterest of this government when it comes to assisting the forestry sector as compared to auto.

**The Chair (Mr. Tim Hudak):** Mr. Bisson, thank you very much, that does conclude your time. That's pretty much right on the nose. Well done.

We'll now go to the government members for their 20 minutes.

**0950**

**Mr. Yasir Naqvi:** Thank you, Mr. Chair, for giving me the opportunity. Let me just first start by thanking Mr. Lalonde, the deputy and the other staff for being here. I know Monsieur Lalonde had to step up to the plate at the last minute due to the changes in the ministry, so I really appreciate you taking the time and being here in front of the estimates committee.

I'm going to ask some questions about the eastern Ontario development fund, something which I know is very close to both Monsieur Lalonde and me, given that we are from eastern Ontario. Monsieur Lalonde, feel free to pass on any of the questions, any technical questions, to the deputy or his staff, if you feel comfortable doing so.

I wanted to first ask whether the deputy perhaps or Mr. Traficante can explain the scope of the eastern Ontario development fund program and the purpose behind that particular program.

**Mr. Jean-Marc Lalonde:** Thank you for the question. Let me tell you that the program was put in place, as announced by the Premier, in July 2008. It's an \$80-million program, over a period of four years. Just last week, we made five new announcements in eastern Ontario. We know that eastern Ontario is affected and will be more affected by this recession; I would call it the tough economic situation. Up to now, we have officially allocated \$5.3 million in grants, for a total number of projects of—I forget the number of projects; it's 15% of the investment that the company has to do. We have received up to now 46 applications from different companies that want to expand. I've always said that this program was put in place to retain, to retrain and to create jobs, and this is exactly what we're doing at the present time. The program has been well received by companies in eastern Ontario, and we have to keep promoting it. The best way to do it is, again, on the website, where it's well-described why the program is in place. I can tell you that the people are very pleased with it.

**Mr. Yasir Naqvi:** You just said that \$5.3 million had been invested by the government of Ontario thus far through the eastern Ontario development fund. Do you have numbers, Mr. Lalonde, or the deputy, as to how much investment is leveraged due to that Ontario investment and how many jobs are created and retained as a result?

**Mr. Jean-Marc Lalonde:** Well, I don't know if—

**Mr. Philip Howell:** We do. I'd like to ask the acting assistant deputy minister, Ken Albright, to come forward,



please. The program responsibility for the eastern Ontario development fund is in his division.

**Mr. Ken Albright:** Yes, thank you. My numbers are actually slightly more out of date than Monsieur Lalonde's, but to date, because of the 15% leverage, \$4.1 million of investment will lever about \$28.6 million of private investment, creating about 162 jobs. The minimum threshold for job creation is 10 jobs created over a period of five years, so each of these would be in excess of that threshold, averaging 15 to 20 jobs apiece.

**Mr. Yasir Naqvi:** So these are new jobs that are being created?

**Mr. Ken Albright:** These would be new jobs, in addition to those that are retained, which we haven't tracked here.

**Mr. Yasir Naqvi:** Mr. Albright, can you explain the scope of the program? Who qualifies? What are the guidelines or the criteria to be applicable under the program?

**Mr. Ken Albright:** Sure. It's a continuous intake fund. It's \$80 million allocated over four years. It's a discretionary, non-entitlement grant program to encourage economic development in eastern Ontario.

There are two streams, actually: One is for businesses and one is for local economic development agencies. In the business stream, companies can invest in capital, equipment, technology and processes to improve their productivity and competitiveness. The program is 15% grants—so an eligible project expenditure, as just described, provided they meet the agreed-upon job and investment targets. Everything is negotiated. In the business stream, eligible projects have to create 10 jobs over five years, or companies with fewer employees have to increase their footprint by 20% from their current number of jobs—some extraordinary projects may not create jobs; we haven't had any of those yet, but they may be considered by the chair of the Treasury Board—and companies must commit to a minimum investment of \$500,000 over five years.

Applications are accepted on a continuous intake basis. We work with companies continuously and through outreach from ourselves and through other ministries to encourage program applications to be made. Proposals are subject to detailed review. There are program criteria, there is a financial due diligence report associated with each, there's an inter-ministerial ADMs' committee that reviews all proposals, including financial due diligence reports, and recommendations are made to the Minister of Economic Development. Program service standards—and they're adhered to. In most cases, they're 45 days.

**Mr. Yasir Naqvi:** In your experience, those timelines are being followed?

**Mr. Ken Albright:** In most cases they are. They're always back and forth. Sometimes it takes companies a while to generate information that we request from them. Most of these are smaller businesses, so the running of their day-to-day affairs is always more important than things that are a little extraordinary. We are asking for a lot from them.

**Mr. Yasir Naqvi:** Can you give an example? You said quite a few businesses have received this funding, by which the investment by the government, through this fund, has helped secure existing and new jobs.

**Mr. Jean-Marc Lalonde:** Well, at the present time the program will be creating over 220 jobs. There were 15 applications approved. As I said previously, there are either 46 or 48 applications being reviewed at the present time.

Total investment: I don't have the exact figure. You've mentioned it, I guess. For the first 10, the investment was over \$30 million. That is the answer that I have at the present time.

**Mr. Yasir Naqvi:** Okay. I'm going to move on to the Communities in Transition program. Deputy, if you can explain the nature and the scope of that program and who that is applicable to.

**Mr. Philip Howell:** This program also is under ADM Albright's purview, so I'll let him take that.

**Mr. Ken Albright:** The Communities in Transition program is an initiative to provide assistance to Ontario communities and industry sectors facing economic development challenges, including plant closures, significant job losses and industry-wide restructurings. It's a flexible program. It's tailored to innovative economic development solutions not covered under existing programs. It has its allocation—it's fairly small, \$2 million a year, potentially supporting about four to eight projects a year. We're currently having more demand than that through that program.

It's supported a number of different agreements. I think to date it's something like 22 projects and a total of \$10.3 million associated with those projects, all in southern Ontario and eastern Ontario.

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**Mr. Yasir Naqvi:** How is that money to be used? What's the purpose for giving money? I understand—I mean, I'm seeing that some municipalities, or economic councils etc., have qualified to get that funding.

**Mr. Ken Albright:** It's probably best to give you an example of that. For example, the South West Economic Alliance in Ontario: We provided \$300,000 to that organization, which represents industry, education and government from 15 counties. Funding is to support the development of an operating plan, marketing and regional branding and research to help them plan for the future.

Another example would be that through the Canadian Tooling and Machining Association, we provided \$600,000 to increase that sector's competitiveness; strengthen their manufacturing base by adopting industry-leading software, skills and work practices to enable them to increase their ability to capture complex tooling work; and increase sales and profitability.

The four steps in that, for example, were the assessment of shortfalls in current software skills and training programs; working with software suppliers to identify solutions; testing and evaluating that software—which is very unique in that sector—primarily in Windsor, parts of Toronto and in the area around Kitchener-Waterloo; and

finally, the development and delivery of new training programs to address the shortfalls in those software skills. That's to aid the transformation of those kinds of companies.

**Mr. Yasir Naqvi:** Would you be able to give a specific example of this initiative in work? How long has this program been going on?

**Mr. Ken Albright:** It has been running for about two years.

**Mr. Yasir Naqvi:** Two years? So you must have some specific examples of how this initiative is helping communities that are going through a transition. Can you share an example or two with us?

**Mr. Ken Albright:** Sure. I'll get my notes here for some examples.

For example, in Huron county, we provided \$300,000 to assist a number of economic development initiatives, including:

- conducting property assessments to attract investment that would reuse the existing Volvo plant there;
- developing a business case for using the Centralia College facility as an aeronautics and/or airplane refurbishing training facility;
- examining opportunities for the redevelopment of the Goderich harbour;
- conducting a study to determine possible future uses of the Richard W. LeVan Airport, focusing their current market activities or strategies for the county with an emphasis on database and website development and related marketing programs; and
- development of an economic development opportunities blueprint, to unify and direct economic development efforts in the region.

Similarly, for the city of Hamilton, we provided them with \$386,000 for improved economic development planning through a new, multi-year economic development strategy; development of an economic development marketing plan; economic impact and land needs analysis for the Hamilton airport; research into eco-friendly business parks; and helped them to organize the Hamilton economic summit, held in May last year.

**Mr. Yasir Naqvi:** Okay, great. Thank you very much. I'm going to move on, deputy, to the Ontario Open for Business initiative. That's something the Premier announced about a year or so ago, talking about reducing the regulatory burden on businesses. Can you please describe exactly what the initiative is?

**Mr. Philip Howell:** Sure. I'm going to ask the associate deputy minister, Gail Paech, who is responsible for that program, to come forward.

Underpinning the Open for Business concept is something that I think other governments have been concerned with. I think this is fundamentally something that every government has to come to grips with in terms of ensuring that there's a business climate that's conducive to business investing and expanding and creating jobs, and I would argue that this is even more the case today than, say, may have been the case 20 years ago, just because of the interconnectedness of economies around the world.

The Open for Business initiative is focused on just that: improving the business climate.

Gail, maybe you would like to go into a little more detail about the program.

**Ms. Gail Paech:** Open for Business was announced by the Premier in March of 2009. It is a three-year initiative whereby the government is looking to streamline the regulatory process to improve the services that are delivered by government and to develop a better working relationship with the business community.

The overall objectives of this program are to continue to ensure the protection of the public, and also to streamline the way services are delivered by government to the business community, creating an environment that assists business to stimulate the economy, to increase and create jobs in the province of Ontario and make the province of Ontario an attractive environment for business to invest.

**Mr. Yasir Naqvi:** Can you share with us what kind of specific initiatives the ministry has started to take to implement that objective under Open for Business?

**Ms. Gail Paech:** Certainly. In September of 2008, Open for Business started a program to understand what the burden was that was imposed by business through the regulatory environment that exists in Ontario. A count was done to understand the impact and the obligations business needed to conduct in order to comply with regulations.

All of the ministries reported in a three-month period of time what the burden was that was imposed by the regulations, and were there opportunities where, while continuously ensuring the protection of the public, there were outdated regulations and these regulations no longer were serving the intended outcome that was originally proposed? Was there an opportunity that these regulations no longer needed to exist?

At the same time, what was done was that the government has also imposed a cap-and-trade program, which was in the platform of the government, that for every new regulation coming forward, two existing regulations would be revoked. This was for a one-year period of time and will be reassessed. The objective really is that in the meantime Open for Business would look at developing new tools, new ways of (1) consulting with business, and (2) also looking at developing new tools for policy development and the process of the development of regulations in a more collaborative way with the business community. So those programs are under way.

At the same time in September, what was announced was that every ministry would identify 10 initiatives that would help also to reduce the burden on business. Those initiatives were submitted by each of the ministries in December of 2008, and the ministries are presently working to bring forward those initiatives to reduce the burden on business.

Presently, what we are doing is that in February 2009, the government approved a strategy for modern services and modern government and a new relationship with



business, and we are presently going forward to treasury board with a submission.

**Mr. Yasir Naqvi:** Okay, great. Thank you very much for your time.

**The Chair (Mr. Tim Hudak):** Members of the ministry, thank you very much for being here today. Jean-Marc Lalonde, the parliamentary assistant, thank you for filling in on what I know is short notice.

Folks, I'm not going to start a new rotation. We will recess for four or five hours. When we return—I misspoke earlier, and I apologize about that. The clerk and I have looked through here. This is the way we will do this rotation. We have just over an hour remaining, so the committee will resume at 3:30 for one hour.

Because of the rotation that was used previously, the official opposition has had more time than the other two parties. So what we're going to do when we come back is begin with the third party for 20 minutes, the government members have 20 minutes and the remaining 20 minutes will be divided up equally. So the time for the official opposition will be tight, but that will make it even for all three parties through the entire seven and a half hours. Folks, are we all good with that? All right.

We are recessed until 3:30 p.m. back in this room. Thank you very much.

*The committee recessed from 1012 to 1546.*

**The Vice-Chair (Mr. Garfield Dunlop):** We'll call the meeting back to order. We've got an agreement here, I think, between the three caucuses that we rotate. We've got an hour and three minutes left. We understand that there was agreement to take 26 minutes for the NDP, 26 minutes for the government and finishing off with six minutes for Mr. O'Toole, of the official opposition. Have we got agreement on that? Okay. Thank you very much. Agreeed.

Mr. Gilles, you've got 26 minutes.

**M. Gilles Bisson:** Bonjour, monsieur Lalonde. Comment ça va?

**M. Jean-Marc Lalonde:** Très bien, merci.

**M. Gilles Bisson:** Excellent. Une question : l'ancien ministre, M. Bryant, avait fait des commentaires dans un discours récemment avec le club économique de Toronto qu'il y avait des gagnants et des perdants et que c'était la job du gouvernement de choisir les gagnants et les perdants. Ton opinion?

**M. Jean-Marc Lalonde:** Je n'ai aucune idée. Je n'ai pas lu le discours qu'il a prononcé donc je ne sais pas si le sous-ministre a une réponse à cet effet-là. Je ne suis pas au courant du discours qu'il a livré.

**M. Gilles Bisson:** Toi, personnellement, penses-tu que le gouvernement a un rôle à jouer quand ça vient à décider quel secteur de l'économie aider plus que l'autre?

**M. Jean-Marc Lalonde:** On doit toujours analyser le tout avant de prendre une décision. On doit être à l'écoute, on doit s'asseoir avec les différents « stakeholders », comme on les appelle en anglais—excuse l'expression—et puis c'est là que, avec les gens du ministère, avec le sous-ministre et ses collègues de bureau, on doit discuter de la position qu'on doit prendre.

**M. Gilles Bisson:** Mais parfois les gouvernements de toutes les couleurs décident qu'ils vont faire une emphase sur un secteur de l'économie plutôt que sur l'autre. Est-ce que c'est l'impression, de ce que tu vois de ce qui se passe à l'intérieur du ministère, que ce ministère va présentement prendre certaines positions qui favorisent un secteur de l'économie plus que l'autre?

**M. Jean-Marc Lalonde:** Je dois dire encore une fois que lorsqu'on prend une position, on doit analyser un peu à tous les niveaux quelle est la position que le gouvernement doit prendre pour répondre aux besoins et répondre aux besoins des familles de l'Ontario.

**M. Gilles Bisson:** À quoi l'ancien ministre faisait-il allusion quand il a dit qu'il était pour choisir un perdant ou un gagnant ou donc, comme il disait, faire certains choix, où faire les investissements avec les perdants et les gagnants? Qu'est-ce qu'il voulait dire par là?

**M. Jean-Marc Lalonde:** Je ne suis pas au courant du discours qu'il a livré, donc je ne sais pas. Peut-être que notre sous-ministre a une réponse à cela. Do you have an answer to that, what the minister meant by saying that there would be losers and winners?

**Mr. Philip Howell:** I can't really speculate on precisely what he meant. That was a question that was raised in earlier sessions of the estimates when he was here to answer that question.

**Mr. Gilles Bisson:** Do you believe that at times the ministry and the government have to make some decisions about where to put their money more effectively, one sector versus the other? Do you think that is an approach that's sound?

**Mr. Philip Howell:** I believe the government is always faced with decisions on where to allocate fiscal resources, which unfortunately are always limited. Ultimately it's the government's decision where it chooses to spend money. The government has the opportunity and the public service has the obligation to provide advice on various options and bring options forward to help facilitate the decision-making. Ultimately it is the government's call, and obviously it's a reality that there are not unlimited funds that are available, so decisions have to be made.

**Mr. Gilles Bisson:** So it would be fair to say that in the past governments have made the decision where to invest public dollars, one sector versus the other?

**Mr. Philip Howell:** Governments have the responsibility to make a decision on where they're going to choose to spend their fiscal resources. That, by definition, I think is going to end up with monies going into certain areas and monies not going into others. If you've got limited resources, choices will have to be made.

**Mr. Jean-Marc Lalonde:** I would say on this issue—

**M. Gilles Bisson:** Tu peux le faire en français? on se comprend.

**M. Jean-Marc Lalonde:** De temps à autre il faut prendre une décision lorsqu'on parle de perdants et de gagnants. Si on veut être plus compétitif—un exemple est qu'on va offrir des programmes à l'industrie en leur disant : « Bien, pour devenir plus compétitif, si on

augmente ou améliore l'équipement qui va produire davantage», à ce temps-là tu peux dire, «Vous allez peut-être réduire le nombre d'emplois, mais on va sauver un grand nombre d'emplois au lieu de tout perdre». C'est une position que le gouvernement doit toujours prendre.

I'm saying that at times, really, you could turn around and say, "Well, to be more competitive, we are ready to look at a program where we have to allocate financial support so you could upgrade your equipment to be more competitive." In this case, sometimes you could end up by having losers and winners because you will retain jobs, you would save jobs.

I was giving a good example of a company of 220 jobs. I knew that they could not compete with other countries, but if they come up with new equipment that is available, upgrade their equipment, they would save 160 jobs. They would lose 60, but they would save 160 jobs. This is a section that the government always has to look at to save as many jobs as possible.

**M. Gilles Bisson:** Donc généralement, le gouvernement va faire un choix selon les opportunités économiques qui sont présentes dans l'économie, et avec les fonctions disponibles il va faire des choix : à qui faire les investissements publics dans le secteur privé avec les gagnants et les perdants.

**M. Jean-Marc Lalonde:** Le tout est analysé avant de prendre une position : est-ce qu'ils ont besoin d'une certaine formation pour arriver puis être plus compétitifs? Donc, le ministère doit s'asseoir avec les responsables et négocier une entente et, s'il y a lieu, en avoir une pour sauver les emplois.

**M. Gilles Bisson:** Donc, pourquoi le bureau du premier ministre était-il contre cette position qui était prise par le ministre?

**M. Jean-Marc Lalonde:** Je ne pourrais pas répondre à celle-là? je m'excuse.

**Mr. Gilles Bisson:** Let me phrase the question in English, just to make sure he understood the translation. You heard it? Okay, well then go.

**Mr. Philip Howell:** First of all, we in the ministry do not approach our duties in the concept of identifying winners and losers in terms of who support is provided to. The way that we approach our job—I think it's important to understand what the Ministry of Economic Development's programming provides in an appropriate context of the government's overall agenda for economic development. There are a number of tools that the government has at its disposal in order to ensure a competitive business climate, to ensure that companies have the opportunity to prosper, create jobs here, make profits and invest further.

Obviously the committee will have a chance in a few weeks to question the Minister of Finance on the recent tax program that was introduced in the latest budget. Tax measures are an extremely important and effective tool the government has to ensure competitiveness in the economy.

Similarly, governments—this was reflected in economic development programs in a variety of ministries—

have an opportunity to provide support to various companies. The way you want to do that to get the most effective outcome is to develop programs that are application-based and programs that have fairly clearly defined criteria around them in order to provide support to companies where it's going to meet economic development objectives of the government.

From time to time there are going to be situations that arise where there are economic development considerations that perhaps can't be met through any existing programs, and at that point any government has the opportunity to craft specific support programs to deal with that.

**M. Gilles Bisson:** Donc clairement, d'après ce que je comprends, monsieur Lalonde, c'est qu'un gouvernement a des fonds limités pour être capable d'assister le secteur privé et que parfois un gouvernement doit choisir où on va faire ces investissements selon les besoins de l'économie et la possibilité de succès. Donc, si je comprends bien, c'est la politique du ministère du Développement économique qui va choisir les gagnants et les perdants.

**M. Jean-Marc Lalonde:** Mais elle doit choisir les gagnants et les perdants. Je devrais dire que nous regardons toujours pour que tout le monde soit gagnant dans les positions que le gouvernement doit prendre.

**M. Gilles Bisson:** Des équipements, à qui—

**M. Jean-Marc Lalonde:** Je dis bien que tout le monde est gagnant. Le payeur de taxes, c'est lui. Il y a un payeur de taxes en Ontario comme il n'y a qu'un payeur de taxes au Canada. Puis les positions qui sont prises par le gouvernement doivent être pour le bien-être de tous les gens, la force ouvrière aussi bien que le payeur de taxes.

**M. Gilles Bisson:** La question que je vous pose est que, clairement, d'après ce que j'ai compris de vous et du sous-ministre, c'est qu'à la fin de la journée le gouvernement fait des choix.

**M. Jean-Marc Lalonde:** Mais c'est normal qu'il doit faire des choix. S'il t'arrive que tu me demandes de l'aide financière puis tu n'as rien pour prouver comment ça va être bénéfique pour les employés aussi bien que pour les payeurs de taxes de l'Ontario, définitivement. Mais si tu arrives avec un plan de travail, «a business plan» comme on l'appelle en anglais, qui ne rencontre pas les critères du gouvernement—quand je dis «ne rencontre pas les critères du gouvernement», c'est pour dire qu'il doit bien détailler s'il est vraiment rentable de faire une avance d'argent ou un octroi à cette entreprise—définitivement, la compagnie ou l'industrie ne sera pas gagnante.

**M. Gilles Bisson:** Donc, le gouvernement fait des choix. Puis la question que je me pose est, pour quelle raison le bureau du premier ministre était-il si contre, et en colère contre, les commentaires faits par le ministre Bryant quand il a dit : «Il faut choisir des gagnants et des perdants»? Est-ce que ça marque un changement de politique de la part du gouvernement provincial et du bureau du premier ministre?

**M. Jean-Marc Lalonde:** Ce ne serait pas juste de ma part de commenter sur ça. Je n'ai pas lu le discours qui a été prononcé puis je ne connais pas les commentaires qui ont été faits par le premier ministre dans ce cas-ci.



**M. Gilles Bisson:** Mais tu étais bien l'adjoint parlementaire du ministre Bryant dans le temps qu'il a fait ces commentaires il y a trois semaines? oui ou non?

**M. Jean-Marc Lalonde:** J'étais l'adjoint parlementaire, oui, et puis on n'a pas le temps de tout regarder. Un ministre est appelé à de différentes fonctions presque tous les jours, et puis moi, je suis appelé pour le remplacer de temps à autre. Je peux faire un commentaire sur les endroits où je me suis présenté, mais sur les autres commentaires je ne peux pas.

**M. Gilles Bisson:** Quand un ministre fait une annonce qui marque un changement de direction d'un ministère qui va prendre une position qui est différente que celle du passé, n'y a-t-il pas une conversation qui se passe dans votre ministère puis dans votre gouvernement qui dit : « Il y aura une annonce et vous avez besoin d'être au courant, que le ministre va faire certains commentaires qui annoncent un changement de politique de la part du gouvernement »? Vous n'avez pas eu une conversation?

**M. Jean-Marc Lalonde:** Je peux dire que j'ai des rencontres avec les gens du ministère régulièrement, toutes les semaines. On se tient en contact tous les jours.

**M. Gilles Bisson:** Donc, c'est qu'il ne vous a pas parlé et il n'a pas parlé à toi comme l'assistant parlementaire, ni au sous-ministre, ni au premier ministre? c'est ça qui est arrivé? Il a fait ça lui-même de son propre idée?

**M. Jean-Marc Lalonde:** Je ne peux pas commenter. Je ne peux faire aucun commentaire dans ce cas-ci.

**M. Gilles Bisson:** Mais d'après ce que je comprends, c'est un peu la politique du ministère de choisir où ils vont faire les investissements. J'essaie de comprendre pour quelle raison le bureau du premier ministre a fait—vous allez avoir une chance, monsieur le sous-ministre, de répondre. Mais j'essaie de comprendre : pour quelle raison y avait-il une différence d'opinion entre le premier ministre et le ministre responsable sur ces commentaires? Puis aujourd'hui il est parti. Une partie de la raison pour laquelle il est parti est ces commentaires. Donc, j'essaie de comprendre où le changement de politique est arrivé et pourquoi le premier ministre est contre.

Monsieur le sous-ministre, vous voulez répondre? Monsieur Lalonde?

**Mr. Philip Howell:** There wasn't a policy shift in the ministry. The ministry is not involved in choosing winners and losers, at least in the context that I believe I understand your question to be coming from. What we do have in place in the ministry are a number of economic development programs that are application-based. The companies that have criteria that are specified can come forward, and against those criteria decisions are made in terms of support going to companies. Ultimately, it is the minister who makes the decision as to which company gets that support, but it's with the benefit of a lot of due diligence on the application, it's with the benefit of a lot of interaction from the initial application to the final one to ensure that there's value for the taxpayer dollars that you're going to be investing and so on.

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**M. Gilles Bisson:** Je comprends très bien qu'un gouvernement va faire des choix selon les priorités. La question que je demande c'est que l'ancien ministre, M. Bryant, a fait ses commentaires, qu'il a besoin de choisir des gagnants et des perdants quand ça vient à certains secteurs de l'économie. Suite à ces commentaires-là, le bureau du premier ministre n'était pas d'accord. Donc, cela me dit que soit il y a eu un changement de politique où le premier ministre essaye de dire, « On va donner l'argent à tous et on va essayer de plaire à tous », soit le ministre lui-même a fait ses commentaires sans l'autorisation du cabinet pour le faire. C'est lequel? Est-ce que le premier ministre annonce un changement à la direction de ce ministère ou est-ce que M. Bryant est en train de faire des commentaires sur ses propres idées, selon lui comme ministre?

**Mr. Philip Howell:** My understanding is that Minister Bryant was offered the job and decided to take that job, and it was with the city of Toronto.

**M. Gilles Bisson:** Mais ce n'est pas ma question? non. Ma question : un ministère fait des décisions selon des priorités, où ils vont faire des investissements. Vous avez dit vous-même, selon vos paroles, qu'un ministère a seulement tant d'argent pour être capable d'investir et il faut faire des choix. Donc l'ancien ministre, M. Bryant, s'en va au club économique et fait une annonce qui dit qu'on continue dans cette veine—on va faire le choix des gagnants et des perdants—et tout à coup le bureau du premier ministre n'est pas d'accord. Donc, soit il y a eu un changement de direction de ce ministère où on va arrêter cette direction de prendre des décisions selon où faire nos investissements selon nos besoins, ou—

**Mr. Bob Delaney:** Chair, on a point of order: I don't think it is appropriate to speculate on what the former minister may have been thinking at the time. I think in estimates we can examine the activities of the ministry as they are or going forward, or talk about the results-based plan. But perhaps Mr. Bisson would like to rethink his question in terms of—

**M. Gilles Bisson:** Certainement pas. On a le droit de demander des questions ici au ministère. Il y a une politique qui est en place, ça fait assez longtemps, qu'un ministère va décider selon les moyens qu'il a où il va faire ses investissements. Un ministère ne peut pas donner à tous? c'est bien simple. Ils ont besoin de faire des choix. Le ministère dit qu'on a besoin de faire des investissements dans certains secteurs selon la décision politique du gouvernement, quel secteur il veut aider le plus parce qu'il pense qu'il y a une opportunité et qu'il y a un montant limité d'argent à investir. Donc, la question que je pose est : y a-t-il eu un changement de politique de ce ministère?

**M. Jean-Marc Lalonde:** Absolument pas. Il n'y a eu aucun changement, et puis dans toute position qu'un gouvernement doit prendre, aussi bien dans les débats à la chambre, il y a toujours des personnes qui se disent « perdants », mais je dois dire que tous les gens, tout le public est gagnant parce que la position qui est prise est

pour le bien de tous les payeurs de taxes de l'Ontario. Lorsqu'il y a une demande pour une assistance financière pour un projet ou une industrie, le gouvernement, selon les politiques qui sont établies, des fois ne rencontre pas la demande, ne rencontre pas les politiques qui sont en place. Donc c'est une façon de parler : on peut dire qu'ils sont les perdants, mais ce n'est pas vraiment ça. Quand tu regardes à fond, ce n'est pas ça qu'il veut dire : « Il est perdant? il n'a pas été capable d'avoir l'approbation de recevoir une subvention. »

**M. Gilles Bisson:** Je comprends très bien le point, monsieur Lalonde, et il vient juste de répondre à la moitié de ma question, qui est : le ministère, selon vos paroles, va continuer de faire des décisions selon les fonds limités qu'ils ont et selon où on pense qu'on peut faire le plus d'effort pour assister l'économie de l'Ontario.

**M. Jean-Marc Lalonde:** Exactement.

**M. Gilles Bisson:** La réponse est oui, donc j'ai simplement demandé, est-ce que le bureau du premier ministre veut changer la politique du ministère?—la prochaine question. Si le ministère dit que la politique du ministère est telle que vous l'avez énoncée, est-ce que le premier ministre annonce à travers, comment dire, le désaccord qu'il a eu avec M. Bryant un changement de cette politique?

**M. Jean-Marc Lalonde:** Je dois dire que dans ce cas-ci dans tout programme qui existe, de temps à autre les officiels du ministère se rencontrent pour regarder quels sont les nouveaux besoins. Là, nous traversons dans une période économique très faible et on veut s'assurer à ce que nous ayons une économie forte en Ontario. Donc, de temps à autre il faut s'arrêter pour regarder quels sont les changements, s'il y a lieu d'en avoir, à être apportés? C'est ça qui arrive. Mais dans ce point-ci encore on regarde, quand on sait qu'il y a des négociations qui sont en cours avec une certaine industrie, et puis on a des politiques en place et les gens du cabinet peuvent regarder les politiques, s'il y a lieu, à être modifiées.

**M. Gilles Bisson:** Donc vous me dites que le bureau du premier ministre n'indique aucune différence dans l'approche du ministère du Développement économique envers ses politiques de choisir dans quel secteur de l'économie ils vont faire des investissements?

**M. Jean-Marc Lalonde:** Vous dites : « aucune importance »?

**M. Gilles Bisson:** Non, non. Je vais encore répéter : vous me dites que le bureau du premier ministre n'indique aucun changement à la politique du ministère envers les choix faits pour les investissements par ce ministère.

**M. Jean-Marc Lalonde:** Je vais demander au sous-ministre de répondre à celle-là.

**Mr. Philip Howell:** I have had no indication of anything other than business as usual in terms of the economic development program of the Ministry of Economic Development.

**M. Gilles Bisson:** Vous avez répondu aux deux tiers de la question. Le premier tiers est que le ministre a annoncé ce que le ministère fait d'habitude. Deux, vous

me dites que le premier ministre n'indique aucun changement à la politique du ministère. Donc, la dernière partie de la question est : pour quelle raison le bureau du premier ministre était-il en désaccord avec les annonces faites par ce ministère quand il a parlé au club économique? Je ne comprends pas. C'est une question très simple et claire.

**Mr. Philip Howell:** I don't know that they have or have not disagreed with Minister Bryant. There's been a lot of speculation—

**Mr. Gilles Bisson:** He's no longer there, so I think they had.

**Mr. Philip Howell:** Minister Bryant was offered—

**The Vice-Chair (Mr. Garfield Dunlop):** I think you are speculating here, though.

**Mr. Bob Delaney:** Chair, this is well inside the realm of speculation.

**Mr. Philip Howell:** Minister Bryant was offered an appointment to head up Invest Toronto. He chose to take that. Whether he pursued it or not, he ended up being offered that appointment. He has taken it, and he obviously will be leaving as an MPP; he has left as a minister. The work of the ministry continues. At the moment, I have heard nothing to indicate that there's any change being requested in terms of our program.

**Mr. Gilles Bisson:** That's all I have. Thank you.

**The Vice-Chair (Mr. Garfield Dunlop):** Three minutes left, so you used 23 minutes. Now over to the government party, then.

**Mr. Yasir Naqvi:** Thank you very much, Mr. Chair. I'm not going to take my full time. I know that the deputy has another very important engagement. I'm just going to ask one question of the deputy. We are in an unprecedented time in terms of what's happening globally in the economy right now, and I think one of the trends we're seeing is that there's a lot of coordination, collaboration and co-operation taking place between governments globally. We're seeing the same trend taking place here within Canada. Can you, from a departmental point of view, explain to us the kind of work you are probably doing with the officials in the federal government to make sure that the interests of Ontario companies are being put ahead to make sure that we weather the storm?

**M. Jean-Marc Lalonde:** I'll ask the deputy minister to answer that one.

**Mr. Philip Howell:** Thank you. Sure. There's always collaboration and contact between federal governments and departments and their provincial ministerial counterparts. I would say that one thing that the economic situation over the past year has done is to really focus attention on the need for a more collaborative and productive relationship between the federal government and the province. I think we've seen that play out in a lot of ways. Certainly, in the context of the support for Chrysler and General Motors, there's been very close co-operation, not just between the Premier's office and the Prime Minister's office but between ourselves and Industry Canada, and also between the Ministry of Finance and the Department of Finance.



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Similarly, with the federal government stimulus package, a variety of ministries have been working closely with their federal counterparts to facilitate flowing that money and to ensure that Ontario business and industry, Ontario people and Ontario communities benefit from the support that's there.

I would say that over the past nine months there has been a marked change in the degree and extent of collaboration, although it's always there, just as a matter of good business practice in ensuring that—as Monsieur Lalonde said earlier, there is only one taxpayer, and their needs need to be served.

**Mr. Yasir Naqvi:** Thank you very much. I really want to thank Monsieur Lalonde for once again picking up the ball and running with it with the change in ministers in the last few days, and to the deputy minister, and through you to all your staff for the really good work they're doing in some very challenging economic times. I really do appreciate the hard work. Thank you very much for taking the time. I know you're quite busy and travelling a fair bit, advancing the interests of Ontario, so I really appreciate you being here.

On that note, Mr. Chair, we have no further questions on the government side.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much, Mr. Naqvi. Mr. O'Toole, you have six minutes.

**Mr. John O'Toole:** Very good. I appreciate the opportunity, limited as it is. I've been left a few questions to put on the record and I'll do that as quickly as possible. This isn't an opportunity to just sort of shoot the breeze; they're some specific questions. I'm actually going to be referring to the results-based plan briefing book. Basically, they're straightforward questions, reasonably technical. As I said, I've only got six minutes.

The first question I have is with respect to the Next Generation of Jobs Fund. I'm looking at page 51. That particular fund was \$125.9 million in 2008-09, but only spent \$25 million. I guess the question is, what happened to the \$100 million?

**Mr. Philip Howell:** Mr. O'Toole, I'm going to ask the director responsible for that program, Fernando Traficante, to address that question.

**Mr. Fernando Traficante:** Mr. O'Toole, two things happened. One is, the program was in start-up mode in the first year, and it took some time both for applications to come in and then to be processed and brought to ministers for decisions and approved, announced and signed. So we weren't able to flow as much cash as we were hoping to in that first fiscal year. The result of that was that we took most of the money that was unspent and had it reprofiled into future years.

**Mr. John O'Toole:** I see that there. I didn't write the question, obviously, but I'm looking at page 51; it's pretty obvious that you've loaded it into 2009-10.

The next question here: The Ontario automotive investment strategy is another interesting one, which I'm somewhat familiar with in terms of that sector. In

2008-09, you had \$108.327 million, and you spent \$41 million, but you've actually cut the program in forward years, in a sector that's dying, by 29%; you've only loaded up \$77 million. Could you give us a brief explanation of that strategic change?

**Mr. Philip Howell:** I'll ask Ken Albright, the ADM of sectors, to address that, please.

**Mr. Ken Albright:** Certainly. The Ontario automotive investment strategy was a \$500-million program over five years. Money was spent as investments were made. So in terms of contracts with manufacturers, it's essentially fully committed at this point. It's just a matter of the timing of those cash flows being made. And there have been, as you know, a number of changes in the state of the industry in the past year.

**Mr. John O'Toole:** How far back does that program date? Is that any part of the Beacon and those other projects?

**Mr. Ken Albright:** It includes Beacon, it includes the Ford Centennial project, Chrysler and others.

**Mr. John O'Toole:** Is there a detailed list available of that? It would be helpful if I had that, because those are the questions that I'm really interested in.

**Mr. Ken Albright:** We could certainly make one available to you.

**Mr. John O'Toole:** Very good. I'd appreciate that.

I'm going to just pursue this one; it's more for an explanation, perhaps. It's the next line on that page: "Ontario automotive investment strategy fund—Interest incentives." Now, this program here is really being chopped as well, by 99%. It was \$24 million; they spent \$23 million. The previous year, 2007-08, they spent \$22 million, but looking forward, it's only allocated \$292,000. A strategic change there? What's this?

**Mr. Ken Albright:** The interest incentive refers to the General Motors project. There's a \$175-million interest-free loan, and the interest concession would be that portion that's attributed to that loan in that given year.

**Mr. John O'Toole:** Okay, very good. Those are all good answers, that's for sure.

I'm going to move slightly, but it's not totally. The really interesting one is the dropped program, and I think this is the "Large-scale strategic investment fund." It was \$5 million, and it's completely scrapped. It's a fund, the large-scale strategic investment fund.

**Mr. Ken Albright:** The large-scale strategic investment program was grandfathered into the Ontario automotive investment strategy when that fund was created. It is actually two projects. One is Navistar and the other is Brose.

**Mr. John O'Toole:** Okay, how did the Navistar program make out? Did they actually keep jobs or—

**Mr. Ken Albright:** They did. It was designed to respond to the announced closure of the facility at the time.

**Mr. John O'Toole:** So did we retain jobs or not? Was it just—

**Mr. Ken Albright:** We retained jobs and in return for our investments we actually got an R&D facility in Windsor.

**The Vice-Chair (Mr. Garfield Dunlop):** You're down to just over a minute there, Mr. O'Toole.

**Mr. John O'Toole:** It's tough, you know. I'd seek unanimous consent for more time, but—

**The Vice-Chair (Mr. Garfield Dunlop):** I don't think you're going to get it.

**Mr. John O'Toole:** I would like to put on the record here that there are questions outstanding here on the AMIS program as well, and I'd like to submit those to the clerk and perhaps just have a response. That's the best way. They're straightforward questions. For instance, one is—I'm going on to page 58 of the report I referred to earlier. It says that the AMIS operating assets were \$100 million in 2008-09 but show interim actuals of \$36 million—I guess explaining some of those numbers when they're large numbers on a project that's so important. That's the thrust of about eight questions here similar to that: different funds and how come the money is either disposed or not disposed of. Okay, I'll just leave the questions with you?

**Mr. Philip Howell:** Yes, and we would be pleased to answer those and get them back to the clerk in a timely way.

**Mr. John O'Toole:** In the interest of expediting time, thank you very much, and good luck, Mr. Lalonde, as well. I hope they give you the full salary.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much, Mr. O'Toole. That brings the end of the rotation today, and of our time.

**Mr. Gilles Bisson:** I thought I had three minutes.

**The Vice-Chair (Mr. Garfield Dunlop):** No, we asked for unanimous consent originally, at the beginning of the session, that we'd use 26, 26 and 6.5. You didn't use—

**Mr. Gilles Bisson:** When I came back I thought I still had three minutes. That's why I was back.

**The Vice-Chair (Mr. Garfield Dunlop):** No, you don't have three minutes.

**Mr. Gilles Bisson:** Can I table some questions?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, you can table some questions.

**Mr. Gilles Bisson:** —just for the record—

**Mr. Philip Howell:** Mr. Vice-Chair, we have answers, which we'll table with the clerk today, for questions that were asked early in the previous two or three sessions of estimates. And we will take these tabled questions and also Mr. O'Toole's tabled questions and we'll get answers back in a timely way.

**The Vice-Chair (Mr. Garfield Dunlop):** That's very much appreciated.

**Mr. Gilles Bisson:** Just for the record, I'm just going to table; it'll take two minutes.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, do you want to read them in?

**Mr. Gilles Bisson:** I want to follow up on the GM financing that the province will be providing. (1) Will the total value of the provincial package be in the \$2-billion range? (2) Will it consist primarily of loans? (3) What will be the interest rate and repayment terms of any loan component? (4) What is the requirement of GM in terms of employment levels; capital investment; Ontario footprint—in other words, percentage of North American production; dealing with the pension deficiencies, what are the annual payments that GM will have to make into the fund to make up for the unfunded liability? (5) What are the penalties if the above terms are not met by GM? (6) Will Ontario get either (a) board representation or (b) an equity position for lending that money?

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much. Those questions will be tabled, as Mr. Bisson has mentioned.

With that, I'd ask the questions.

Shall vote 901 carry? Carried.

Shall vote 902 carry? Carried.

Shall the 2009-10 estimates of the Ministry of Economic Development carry? Carried.

Shall I report the 2009-10 estimates of the Ministry of Economic Development to the House? That's carried.

Ladies and gentlemen, thank you so much today to the ministry staff, the deputy, Mr. Howell. Mr. Lalonde, thank you so much for attending, and have a safe trip on your journey to New York.

With that, the meeting is adjourned.

*The committee adjourned at 1620.*





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## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 27 May 2009

# Journal des débats (Hansard)

Mercredi 27 mai 2009

## Standing Committee on Estimates

Ministry of Energy  
and Infrastructure

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 27 May 2009

Mercredi 27 mai 2009

*The committee met at 1557 in room 151.*MINISTRY OF ENERGY  
AND INFRASTRUCTURE

**The Vice-Chair (Mr. Garfield Dunlop):** We'll call the meeting to order, everyone. I'd like to welcome everyone here today: Minister Smitherman and all the staff from the Ministry of Energy and Infrastructure.

A couple of things to put on the comments here to begin with: We're here today for the consideration of the estimates of the Ministry of Energy and Infrastructure for a total of seven and a half hours. The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officers.

Any questions before we start? Are there any questions today? I think we clarified that before the meeting got going.

We will commence with vote 2901. We will begin with a statement of not more than 30 minutes by Minister Smitherman, followed by statements of up to 30 minutes by the official opposition, Mr. Yakabuski, and the third party, Mr. Tabuns. Then the minister will have up to 30 minutes for a reply. Keep in mind that you don't have to use the full 30 minutes in each case if you don't wish to. The remaining time will be apportioned equally among the three parties and we'll go into 20-minute rotations. After the minister, we'll be starting, of course, with Mr. Yakabuski, and then we'll be back here next week on Tuesday and Wednesday to complete the—

**Mr. John Yakabuski:** Could I just ask one question?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, you can.

**Mr. John Yakabuski:** So we will not get into those 20-minute rotations today?

**The Vice-Chair (Mr. Garfield Dunlop):** Not unless the minister didn't use any of his 30 minutes and he wanted to go directly to you.

**Hon. George Smitherman:** I told the honourable member that if he's not provocative, we might.

**Mr. John Yakabuski:** I'm just thinking of my own time management. I may not stay because I want to get out of town.

**The Vice-Chair (Mr. Garfield Dunlop):** You're getting out of Dodge, eh?

**Mr. John Yakabuski:** Yes.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Let's work with that, and we'll see how this goes.

Minister Smitherman, you have 30 minutes to begin.

**Hon. George Smitherman:** First off, I want to say thank you, Mr. Chair, and encourage all members of the committee to vote yes on vote 2901.

It's a real pleasure to be here, and I want to thank all the members for their hard work and dedication. I want to thank my deputy minister, Saäd Rafi, and the senior management and staff of the new ministry for all of their hard work, which has made so many good things possible in our first year. I want to thank our extended family of agencies, boards and commissions that are associated with the Ministry of Energy and Infrastructure. Individually and collectively, they're advancing our vision and translating our policies into positive results.

I was here just last November to talk about the energy file, so I'm really looking forward today to talking about energy and infrastructure, reflecting the combination of these two ministries this time around. I want to tell you about all the good work that we're doing at MEI. I was honoured when Premier McGuinty asked me to lead this combined ministry last year. The Premier envisioned MEI as a key ministry that would help support the sustainable and prosperous Ontario we all want for today and tomorrow.

When the ministry was created last June, the Premier said that the merger of the two ministries would represent an essential part of our plan to grow the economy. We're well on our way to meeting this goal, thanks to our unprecedented investments in infrastructure and our work on the energy file, including the Green Energy Act.

We must, as the Premier often says, try harder, aim higher and work longer than anyone else. I can certainly say that we've been working longer. I'm not much of a jumper, so I'm not sure about the "aim higher" bit. But over the last 11 months at MEI, we've certainly been working to achieve those goals. I must say today that, for us, we feel that the stars are aligning in a very exciting way. We're at the centre of an energy renaissance in this province that, when combined with our infrastructure

renewal program, gives rise to almost endless possibilities.

We're laying the foundation for a new green economy that provides 21st-century jobs and sustainable communities for all Ontarians for generations to come.

I'm going to ask my staff to provide a few handouts through the course of my speech. One of these that we'll distribute really focuses on the 2009 Ontario budget, which provided for \$32.5 billion for infrastructure projects over the next two years. That's going to support an estimated 146,000 jobs this fiscal year and 168,000 jobs in the next fiscal year. In addition, the Green Energy Act will support a blossoming green energy sector in this province, creating an estimated 50,000 jobs in its first three years alone.

Sustainability at all levels is our goal: more renewables, more conservation, more smart planning for growth, and more green infrastructure that transcends four-year government mandates and spans decades. Together, we're driving toward our climate change targets and building a greener, healthier, stronger and smarter Ontario.

Just last week I had the chance to join Ontarians to mark the second annual Energy Conservation Week. It showed me that there are no limits to what we can achieve when we work together. To kick it off, I launched the province-wide rollout of time-of-use pricing. It's made possible by the investments and decisions that we've taken to implement smart meters. By next June, more than one million Ontarians will be on time-of-use rates. Time-of-use rates will give us all the power to monitor and better manage our electricity use and our bills and, generally speaking, to use the commodity of electricity more wisely.

I also announced a massive energy retrofit of the iconic former Sears head office building at 222 Jarvis Street. This is a building now owned by the province which will eventually house more than 2,000 Ontario public servants. Before occupancy, however, we intend to invest more than \$100 million to create 1,000 jobs, but also to make sure that this signature green office tower emerges with the very latest in energy-efficient and environmentally friendly systems. In fact, we're seeking to achieve at least LEED gold standard on this retrofit.

Energy retrofits to our infrastructure are a prime example of where MEI comes together. We're using the dollars from infrastructure to address energy conservation. In so doing, we are creating jobs for Ontarians and offering new business opportunities, shrinking our carbon footprint and reducing electricity costs. Some people call that the triple bottom line.

The centrepiece of our efforts over the past six months has been the Green Energy Act. The House passed Bill 150 on May 14 with a vote of 59 to 13, and that very same day the Lieutenant Governor gave the bill royal assent. This was such an important moment that even in Nashville, Tennessee, where a conference on climate change was being held, the group stopped to announce and celebrate that the Green Energy Act had passed—a first for North America.

I was very pleased to see my colleague and constituent Peter Tabuns and his party support this important bill. It's too bad that the Progressive Conservative Party chose not to support it, especially since they have been on the record as supporting green energy and my critic Mr. Yakabuski told the Legislature about his own family's ability to reduce their electricity use by 40%.

The Green Energy Act will turbo-charge an era of clean and green power, a culture of conservation and an emerging green-collar economy where Ontarians will find jobs today and for decades to come.

Wheels have been turning on the infrastructure front as well. My cabinet colleagues, federal counterparts and our ministry have been working very hard to ensure that infrastructure funding is being rolled out so that we can get the right projects under way and people working on the right priorities.

Here are just a few examples. We're investing in the skills and knowledge of Ontarians. This week, the governments of Canada and Ontario will roll out nearly \$1.6 billion in support of our post-secondary education system. This funding will help modernize facilities and boost the long-term research and skills training capacity of these vital post-secondary institutions.

We're investing in our smaller communities, the heart and soul of our great province. In February, along with the government of Canada, we announced \$687 million for 290 infrastructure projects in Ontario communities with populations of fewer than 100,000 through the communities component of the Building Canada fund. This funding will not only help these communities to build the roads, bridges and water systems that they need to stay vibrant and strong in the future, but will also help to support job creation and boost local economies right now, which is much needed. The second intake of the communities component closed on May 1, and we expect to be making another funding announcement shortly. Other infrastructure dollars will be rolling out very, very soon as well.

We're investing in our public spaces: the parks, pools, rinks and arenas that make this province a great place to play. In this year's budget, we committed \$195 million in funding for recreation infrastructure projects over the next two years. This year's allocation will flow through the Ontario recreation program and will combine with the federal Recreational Infrastructure Canada program in Ontario to upgrade and repair local hockey rinks, swimming pools and other recreational community sites across this province. That's not limited in partnership with municipal governments; it also offers opportunities for the not-for-profit sector to participate.

We're investing in our cities, which makes our province vibrant and keeps it competitive. Together with the government of Canada, we expect to announce billions of dollars in infrastructure stimulus funds for large and smaller cities imminently.

In that same spirit of maximizing our efforts by focusing our attention and money where it is of greatest benefit to Ontarians, I'm continuing to seek out global



success stories and bring good ideas home. In June, I will travel to Japan and South Korea for the World Wind Energy Conference to promote new investment opportunities in Ontario, including manufacturing jobs due to our new domestic content rules, and to learn more about their approaches to infrastructure and building a sustainable economy.

Now let me move from the general to the particular and outline for members the details of our energy and infrastructure renaissance. Whether it's getting off coal; the pesticide ban; the Smoke-Free Ontario Act; cleaning up our Great Lakes; protecting our pristine wilderness, including the boreal forest; or creating the greenbelt, the government of Dalton McGuinty is creating a massive green legacy for future generations of Ontarians. We're not simply responding to the times; we're leading them. Ontarians support what we're doing, and they're asking for more.

As I said when I began, our goal is sustainability at all levels—sustainability in the way we use electricity and encourage renewable power, in the way we plan for growth and build livable communities and in the way that we stimulate the economy and support new places for it to grow, particularly in these challenging economic times.

A great example of how we're working toward this sustainability goal is the progress that Waterfront Toronto has been making in the last year on revitalizing the west Don lands. This former brownfield is on its way to becoming an exciting, new, sustainable downtown community. The first of 6,000 new residential units developed to LEED gold standards will go on sale within the next year, and this spring, we announced that, should Toronto succeed in its bid to host the 2015 Pan Am Games, the athletes' village would be located in the west Don lands. The athletes would be housed in new residential units that would become affordable housing in the west Don lands after the games.

In general, we're aiming to make our government buildings more efficient. This means better design. Since June 1, 2003, the McGuinty government has made LEED, which stands for Leadership in Energy and Environmental Design, the standard for all new government-owned construction. The LEED rating system promotes an integrated building design approach grounded in five key areas: sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality. With our Green Energy Act, we are aiming to establish LEED silver as the standard going forward.

In the process, we also stoked the development of the green economy, that important cluster of jobs, products, services and ideas that Ontario must capture and corner to grow and to prosper.

Of course, we aren't building from the ground up in every circumstance. That's why another important part of the picture is retrofitting Ontario's existing building stock. Retrofits create green-collar jobs, they promote green energy options, build greener communities, support

sustainable growth, reduce the province's carbon footprint and directly contribute toward the Go Green action plan established by our government. We realize we can't ask Ontarians to do the heavy lifting to make their homes and lives more eco-friendly if we're not doing so ourselves, so we're getting our own house in order.

#### 1610

As one of the biggest landlords in the province, we have an opportunity and an obligation to lead by example. Our Toronto accommodation plan will deliver significant reductions in the government's greenhouse gas emissions footprint, reduce operating costs for retrofitted space and create workspace for staff that is accessible and appropriate for 21st-century work. At maturity, our plan will reduce the Ontario public service carbon footprint by about 35,000 tonnes a year, or fully 10%.

That's as good a segue as any into the Green Energy Act and the energy renaissance that is taking place in Ontario. As I said earlier, the Green Energy Act will become law upon proclamation, but this is a journey that's just beginning. This act is a road map to a prosperous future for Ontario, one that conserves electricity, goes easy on Mother Earth by using renewable power and capitalizes on new opportunities in the green economy. As I said earlier, we expect that the Green Energy Act will create and support about 50,000 jobs in the first three years.

One of the biggest advantages of Ontario's bold move to get off coal is that it puts our province at the forefront of this brave new world. As the Green Energy Act comes to life, we envision it will support an entire cycle of green economic activity here in Ontario: from design to parts building, transportation, installation, operation and maintenance. When I was travelling around Ontario for the Green Energy Act, I heard from farmers, foresters, First Nations, community groups and individuals who are truly excited about the opportunities the Green Energy Act offers.

The combination of the Green Energy Act and our off-coal plan gives Ontario a green electricity system well-positioned for a future where there is a price on carbon. The Green Energy Act features North America's first feed-in tariff to spur the development of Ontario's renewable potential. The tariff offers guaranteed and attractive prices to developers of wind-, water-, solar-, biomass- and biogas-sourced power. Our goal is cleaner, greener and online quicker.

There can be no doubt that Ontario is setting the pace with tough conservation targets in North America and an aggressive renewable power plan. Procurement programs have already brought more than 1,000 megawatts of new, renewable energy online since October 2003. We're the leader in Canada in wind power developments. As good as this progress is, however, we must keep the pedal to the floor. We owe it to ourselves and to succeeding generations to seize this moment and get it absolutely right.

Another key consideration going forward will be strengthening our transmission network to take full

advantage of these new supply sources. We've already started working on this. Hydro One is building a new transmission line from Bruce to Milton to take advantage of 3,000 megawatts of renewable wind and clean nuclear generation from the Bruce region. But in the coming months, we will be making further announcements about our plans for major and extensive transmission enhancement for several areas across the province. These investments will allow us to tap new renewable power opportunities and create many jobs.

We'll continue to develop a distributed generation model as an alternative for smaller generators, and we will build a new energy relationship with Ontario's First Nations and Metis communities. I believe there is great potential in exploring partnerships in generation and transmission with Ontario's aboriginal communities, like the one that we recently had the privilege of participating in with the Lac Seul First Nation. We can build a cleaner, greener renewable power system and build economic opportunity for aboriginal communities at the same time.

As far as reliability of supply goes, we continue to enjoy a strong foundation with what I like to call nukes and Niagara, providing 75% of our energy needs last year. The government is going forward with nuclear procurement as part of our plan to ensure an adequate baseload supply of electricity for Ontarians. We are proceeding very carefully and thoroughly on behalf of the people of Ontario, and I want to emphasize that the future of nuclear power in this province will be tied to an appropriate balance of risk transfer and performance and expenditure guarantees that will protect the taxpayer while achieving a commercially reasonable deal.

Infrastructure Ontario is reviewing three bids and we will announce a decision about the successful bidder as soon as we've been able to thoroughly examine all of the submissions. We will take the time necessary to make the best decision.

Our longer-term reliability picture remains positive after seeing our installed capacity fall by 6% while demand increased by 8% under the previous government.

Recent studies by the Independent Electricity System Operator demonstrate about 3,700 megawatts more of new and refurbished supply is expected to come into service by 2010. That's in addition to what has occurred since October 2003, with more than 6,000 megawatts of new and refurbished supply having been added in Ontario. That's more than 15% of current capacity. And as I said earlier, much of this is cleaner and greener power. In other words, we're in good shape as the summer air-conditioning season approaches and as we prepare to entirely eliminate dependence on coal by the end of 2014.

I'm extremely pleased to tell members that under aggressive targets set by the McGuinty government, we're burning less and less coal as we approach the cut-off date, resulting in cleaner air for all Ontarians.

Let me say a word about price. The weighted average market price for electricity in 2008 was 5.2 cents a kilowatt hour, down from 7.2 cents in 2005, and less than the average price of 5.5 cents since the market opened

seven years ago. About 40% of Ontario's electricity production is subject to regulation. This has contributed significantly to stable prices for Ontario consumers.

Through our projected investments and expenditures as part of the Green Energy Act, electricity prices are expected to rise approximately 1% annually, on average, over the next 15 years for ratepayers. Once Green Energy Act initiatives become implemented, an additional \$900 million will be spent on conservation strategies across energy and electricity sectors over the next three years. By 2025, these investments, in addition to existing and other planned programs, should help a typical family in Ontario reduce their electricity consumption by 15% to 20%.

We're also very conscious about the particular challenges facing low-income Ontarians, which is why we are working with the Ontario Energy Board and the Canadian Council on Social Development to ensure that we are creating policies and programs that meet their needs.

As I mentioned earlier, our government is well on the way toward our goal of installing smart meters in every Ontario household and small business by the end of 2010. We've got more than 2.4 million smart meters installed to date, and by next summer, one million households will be on time-of-use rates, as I mentioned earlier.

Time-of-use pricing is indeed what makes our smart meters smart, by telling us how much electricity we are using and when that electricity is being used. Working with our local distribution company partners, we will continue to provide Ontarians with the tools and information that they need to shift their own energy use and to conserve.

People sometimes ask me what the connection is between energy and infrastructure. The answer is a word I've used repeatedly today: sustainability. There is no point in building a power system that is easier on Mother Earth while continuing to build and condone sprawl, gridlock and smog. So we're planning for and building sustainable, livable communities, with transit and shops and schools and businesses at the ready, and investing in sustainable infrastructure that looks beyond the four-year election cycle to what Ontarians will need decades from now.

As I mentioned at the outset, the McGuinty government is investing record amounts of resources into renewing the public infrastructure that serves all Ontarians. We will invest these sums on behalf of Ontarians with transparency and accountability. It is their money. It is their infrastructure. It is simply our privilege to build infrastructure that serves their needs.

Our \$30-billion ReNew Ontario investment plan is now complete, a year ahead of schedule. ReNew helped us reduce the infrastructure gap that we inherited from previous governments. That translates into more hospitals, schools, roads, bridges and tunnels, and better universities and colleges and public transit. But the task ahead of us is still large.

Our infrastructure deficit is still estimated at close to \$100 billion. The demand for services is growing while



facilities continue to age. We are reaching out to our partners in the public and private sectors to continue the job of renewing our infrastructure so that Ontario continues to have a highly skilled workforce, top-quality public services, orderly, planned growth for our communities and vibrant economic growth.

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To meet infrastructure challenges, jurisdictions around the world are increasingly exploring alternative financial relationships. In Ontario, we are using alternative financing and procurement, or AFP, in certain instances to offer government a way to transfer risk while retaining control, accountability and ensuring the public interest remains paramount. AFPs are not appropriate in all cases, but where they are found to be of value, they result in much-needed infrastructure, built on time and on budget. At the moment, Infrastructure Ontario is involved in managing about 50 AFPs in key sectors, including health, justice, transportation and energy.

There are currently 25 AFP projects under way right now, including 22 hospital projects. These projects are providing Ontarians with well-paying jobs and modernized infrastructure right across the province. On average, there are 195 people working on the Sudbury Regional Hospital, 200 at the Woodstock General Hospital site, 410 at the Durham consolidated courthouse, and there will be 1,000 at the peak of construction for the new Niagara hospital.

This model provides the government with the ability to use the best of both the public and private sector to maintain high-quality public services in Ontario. The alternate financing model has also provided opportunities for pension funds, like those, as an example, of the Labourers' International Union, not just to be the people who help to build the new facilities but to invest their pension funds in search of good-quality returns that can support the ongoing pensions of their membership.

One of the most important sources of revenue for infrastructure renewal comes from Ontario's charitable and commercial gaming sector and the horse-racing industry. More than \$1.6 billion from lotteries, charity casinos and slot machines at racetracks will be used to support the operation of hospitals in the current fiscal year. This year, the Ontario Trillium Foundation will receive \$120 million to help build strong and healthy communities.

All Ontarians benefit from responsible and moderate gaming. Two per cent of gross slot machine revenue, estimated at \$40 million in 2009-10, is allocated for problem gambling prevention, treatment and research programs.

The Quest for Gold lottery will provide an estimated \$10 million in 2009-10 for direct financial support to Ontario's high-performance amateur athletes. And this year, \$162 million from commercial casinos will be used to support general government priorities, including health care, education and public infrastructure.

More than 19,000 people are employed in Ontario's gaming industry in the four resort casinos, our slots at

racetrack facilities and OLG's head office. In addition, about 6,000 people are directly employed by racetracks.

Approximately 20% of the gross revenue from slot machines at racetracks is used to promote the economic growth of the horse-racing industry. This year, this support is estimated at \$349 million. A portion of slot machine revenue also goes back to host municipalities to help them offset local infrastructure and service costs. These revenues are estimated at \$81 million this year.

Gaming is facing many pressures: competition, accountability, the need to be flexible, finding the right level of regulatory oversight—the list goes on. Over the last year, my ministry has been developing a new gaming strategy for the province of Ontario. We're looking at a number of ways to stabilize the gaming industry and maximize benefits for the people of Ontario, including help for border tracks, expanding e-bingo province-wide, and removing betting and seat limits to boost revenues at charitable casinos. This strategy will feed into improvements within the industry itself, creating new management and positive change at the Ontario Lottery Corp., the development of responsible gaming programs and consumer protection at the OLG.

Along with investing in infrastructure today, we are planning communities for tomorrow. The greater Golden Horseshoe growth plan has been in effect since June 2006. Implementation is well under way. The vast majority of upper- and single-tier municipalities are on track to bring their official plans into conformity with the growth plan by June or July 2009. The major exceptions are the regions of Peel and York, which are aiming to have their work done by the end of 2009.

Most lower-tier municipalities may need a one-year extension until June 2010, but overall, municipalities are to be congratulated for moving so quickly. When you factor in the regional transportation enhancements now being brought forward through Metrolinx, we are well on the way to realizing not only the spirit but the reality of the award-winning Places to Grow plan.

We're also working to chart a new economic direction for northern Ontario, one that will align and focus our collective efforts to build a more innovative, robust and adaptive region. After much hard work and input from all across the region, a draft northern growth plan is expected to be released this summer. We're committed to northern Ontario and building on its tremendous talent to support the growth and expansion of a more diversified economy, including innovative sectors such as health care, the bioeconomy and information technology. We intend to work with all northerners to move this plan forward and plot a new, more prosperous course for this region.

So, in conclusion, this is the story at the Ministry of Energy and Infrastructure. It's a story driven by a vision of sustainability for all Ontarians and towards which a number of dedicated partners and allies are working in concert with the ministry. We're cleaning up our air. We're cleaning up the way we plan communities, build transit, retrofit buildings and upgrade efficiency codes.

We're paying more attention to how we replace what we use, and we're doing all this with an eye towards supporting the economy and creating good jobs for Ontarians. These are connected initiatives that go beyond party and far beyond Queen's Park. Ontarians have sampled it, they want more, and we intend to deliver.

To use a racing analogy, we are pulling away from the pack with a concerted societal effort to achieve our climate change targets, grow our green economy and embed sustainability in everything we do. We believe a better future awaits those who resolve to act, and that's why we are driving so relentlessly towards a sustainable economy and a healthy and prosperous society.

I want to thank you, Mr. Chair, and the members of the committee who will consider the estimates of the Ministry of Energy and Infrastructure. I encourage them again: Vote yes on 2901. Thank you.

**Mr. John Yakabuski:** What's 2901?

**Hon. George Smitherman:** That's our vote number.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, that's the vote number on estimates. You'll be voting on that at the end.

Thank you very much, Minister Smitherman, for your comments. You stayed within about two minutes there; you were right down to the wire. We will now turn it over to the official opposition. Mr. Yakabuski, you have 30 minutes to ask questions and/or make comments.

**Mr. John Yakabuski:** Thank you, Minister, for joining us today. I didn't realize—well I did, I guess, in a way—how broad your responsibilities were. I don't know why the Premier would offer the economic development ministry to Elton John; he might as well just give it to you. It looks like you're running everything else here.

Anyway, we're going to be confining our questions to the energy portion of our responsibilities, and I believe that my colleague Mr. Wilson will be coming in maybe next week and asking some questions on infrastructure. I expect my colleague Mr. Arnott to be joining me today, so I'm not sure how much time we'll be using here. As soon as he gets here, he might have some questions for you.

Anyway, there are a couple of things I wanted to ask you, because you mentioned smart meters in your address. On the implementation of the smart meters, you talk about households and small business. We asked this question once before, I think, of the previous minister, and I didn't really get an answer, but maybe he didn't really have a clear picture. But now I think we're talking about full implementation of the smart meters by 2010. Is that correct?

**Hon. George Smitherman:** I think it's 2010 for—  
*Interjection.*

**Hon. George Smitherman:** And then the time-of-use stuff is phased in sequentially.

**Mr. John Yakabuski:** Okay. When you talk about small business, this is one of the questions I have. We have this time-of-use pricing, and we have some concerns about how it might impact householders, but we

have some real concerns about how it could impact a small business, because retail businesses such as restaurant businesses, drycleaners, stuff like that, traditionally operate in the daytime hours, which will not be at discounted rates; in fact, they'll be at the highest possible rates, which would be at, what is it, 11 o'clock to 5 o'clock?

**Hon. George Smitherman:** Your comment is not entirely accurate.

**Mr. John Yakabuski:** I'm going to ask the question. So how is this going to affect a small business person who traditionally operates during the daylight hours? Is the time-of-use pricing going to be exactly the same breakdown for a small business person?

1630

**Hon. George Smitherman:** A couple of points which are key are, 60% of all of the hours in a week are moving into a lower price than the regular—

**Mr. John Yakabuski:** That's the weekend.

**Hon. George Smitherman:** I said "a couple of things."

Some power use in a small business occurs even when you're not there. So for 60% of the hours, actually the price goes down.

The second thing that is important to recognize is that the commodity of electricity is not the same price all day. Accordingly, transitioning the people in our society to recognize that the price does fluctuate through the day is a very, very critical step toward appropriate use of electricity. If you look at the time-of-use rates, you have three different categories: low, medium and high. They vary somewhat by the season. But overall we feel that there will be opportunities for people to shift their pattern of use and to look for all opportunities, especially in those times when the rate is at the higher end, to mitigate against the use where possible.

Another way that I try to say this to people is, if you know that people are running their air conditioners, which is really kind of the key source of driving electricity prices, it's a pretty good message to look for opportunities to turn everything else off.

**Mr. John Yakabuski:** We understand that and appreciate that.

This part you're going to be able to answer a lot more quickly for me, I'm sure. Let's just take Monday to Friday; let's remove weekends and holidays. In that peak pricing time during the day, for most businesses they'll be subject to the same kinds of price increases that a homeowner would. A homeowner may be away; if they're working, they may not be at home. But a business, if it's in operation, will be in its peak customer receiving time. They will be subject to those same higher prices, then, during that time.

**Hon. George Smitherman:** Yes. The time-of-use price establishes different rates through the course of the day, and we'll be working in implementation to encourage people to understand it.

What we know is that in the places where it has been implemented, in Newmarket, Milton and Chatham-Kent,



where people have gone through the motions of making some adjustment in their use, overall they've seen very, very modest decreases in the price of electricity overall. In places where people have just gone with the flow and not made any alteration whatsoever, they've seen very, very modest increases in the cost of electricity.

**Mr. John Yakabuski:** But the price will—

**Hon. George Smitherman:** One small point that I would make is—I'm not quarrelling at all—we think that it's very, very important to alter the awareness of electricity, but please keep in mind as well that local distribution companies have opportunities to make investments in small businesses to retrofit their lighting systems, as an example, to use less electricity.

**Mr. John Yakabuski:** I'm not quarrelling with it either. In fact, some of what has been said about smart meters has been supportive, but I want to be clear that the business that has a much harder time shifting its demand will be affected by this pricing change.

I'm going to kind of bounce around here, and then I'll find out whether I'm going steady here or not, when Mr. Arnott comes. I'm just going to touch on a few points here. You made a comment about the 50,000 jobs that will be created over the next three years with the Green Energy Act. We have released a report that was produced by London Economics International that questions that. It does a full analysis, as you know, of the costing of the Green Energy Act, and we're going to have a lot more questions on that a little later, because you made that statement in your opening.

When I was questioning the previous Minister of Energy, I asked him at one of these estimates hearings if he would reveal to us the names of those people who were the advisers of then-opposition leader Dalton McGuinty on the feasibility of the coal shutdown promise for 2007. He undertook at these hearings that he would absolutely give us the names of all of those people, and never did. In fact, I addressed it as a question in the House, and he never did. So I'm going to ask you the same question with respect to the calculations of coming up with the figure of 50,000 jobs and also your contention that the price of electricity would rise by 1% per year through the implementation of the Green Energy Act. Would you provide for us, if it's from your ministry, copies of the reports and the analyses that have been done to support that, or if it's from an outside source, if you would reveal that to us so that we have the opportunity to have that vetted by other parties as well; if you could provide us with the sources of that information.

**Hon. George Smitherman:** Sure. The sources are within the government, and I don't know if the deputy minister could offer anything now, but certainly he could take note of that and be prepared to provide those things—

**Mr. John Yakabuski:** Could we get a full reporting analysis of how they arrived at those numbers?

**Hon. George Smitherman:** Sure, but I've answered these questions on numerous occasions. I think at the heart of the matter you have an issue of duelling estim-

ates. You hired some guns to do a report. We have some internal economists who said that, based on this expenditure profile and just kind of regularly used formulas, we've anticipated this kind of job creation. But sure; we'd be happy to show it to you.

**Mr. John Yakabuski:** But that report is available not only to yourselves but to the public, and it would be really good if we could have the same kind of information available to us.

**Hon. George Smitherman:** Having made the report public doesn't do much to help the quality of the report because, as an example, the report that you released—

**Mr. John Yakabuski:** We're going to give you an opportunity to go through that report throughout this process.

**Hon. George Smitherman:** Great. Is it finished yet?

**Mr. John Yakabuski:** Oh, yes. We've given you the full report.

**Hon. George Smitherman:** Oh, I thought maybe it would actually go further, like to consider the implication of using less electricity and the impact on a person's—using your own model of the 40% reduction, we were surprised that even after raising it, the second draft of the report didn't address conservation.

**Mr. John Yakabuski:** You'll have that opportunity. We weren't dealing with what the act wasn't dealing with. We're dealing with the price—

**Hon. George Smitherman:** The act was certainly dealing with conservation.

**Mr. John Yakabuski:** Absolutely, but that wasn't our question. Our question was about the price. We also talked—

**Hon. George Smitherman:** But at the end of the day, isn't the real question: How much are you paying? I think that's always been—

**Mr. John Yakabuski:** I think that is absolutely the question, Minister: How much are you paying?

**Hon. George Smitherman:** Okay. Why don't you give people credit for conservation, especially as you've personally attested to your 40% reductions? That's the disconnect that I didn't understand in your point.

**Mr. John Yakabuski:** Interesting segue, because you're talking about conservation here with respect to the demand reduction that we're currently experiencing in the province of Ontario, and what would be helpful—I spoke to one of the LDC operators the other day and they talked about how industrial demand was down in their jurisdiction more than 25%, and that individual demand was down a couple of per cent. So I would expect, then, that the ministry could probably provide, because they know who's an industrial consumer and who's a—

**Hon. George Smitherman:** We don't have to depend on the ministry for that. The Independent Electricity System Operator puts out a wide array of reports and has just had one of those. We'll be happy to make sure the most current version gets forwarded to you.

**Mr. John Yakabuski:** Yes, if we could have it, because it would seem to me that there's credit being taken for conservation when in fact it's the shutting down

of factories and manufacturing facilities—not necessarily the total shutdown but the reduction of business that's going on and the reduction in production.

**Hon. George Smitherman:** I don't think you're going to find any comment where I quarrelled with the notion that reduced demand is fuelled in part by reductions in industrial demand. No one quarrels with that, but I don't think it follows necessarily that there aren't reductions that are possible also through conservation. I rather suspect that both of these influences are at play.

**Mr. John Yakabuski:** In fact, some of the stuff we get would support that, because those same people who have lost their jobs in manufacturing are conserving energy at home because they don't have the money to pay the same bills that they can't afford.

**Hon. George Smitherman:** Maybe they're conserving energy at home because they got rid of a fridge, or maybe they're conserving energy at home because, like you, they decided to turn off—

**Mr. John Yakabuski:** And some light—

**Hon. George Smitherman:** Not everybody's motivated to use less electricity by—

**Mr. John Yakabuski:** Some of those people who have lost their jobs would be far more motivated to reduce their electricity consumption than someone who has not seen their personal economic situation deteriorate in the recent past.

**Hon. George Smitherman:** Somebody else might argue that they're at home more and therefore are using more electricity. So I think you're reaching, but I'm happy to work to get those IESO reports to you.

1640

**Mr. John Yakabuski:** I'm sure that you are.

One of the other issues that I wanted to talk to you about—I don't think we're going to be able to cover it all today, but I'm going to start. I just don't know when Mr. Arnott is going to join me here. I hope I've received an e-mail from him—no.

The Niagara tunnel: The problems associated with the Niagara tunnel were publicly stated this past week. I have a few questions with respect to that. The original contract—I think the total project was \$985 million or something like that. The contract with Strabag was for significantly less than that. It was the total cost of the tunnel, including all approaches and everything else. Now it appears that the tunnel is going to be costing in the neighbourhood of \$1.6 billion. It's not exactly clearly stated, but is it correct that the purchaser or the developer, being OPG, is going to be responsible for all of that increase? I believe they've asked if that can be put onto the rate base, so is that the plan at this time?

**Hon. George Smitherman:** Let me separate those two issues out. Of course Ontario Power Generation, as the developer of the project, bears responsibility for costs incurred, and they achieved the returns through their regulation with the OEB. So, yes, it's fair to say that the costs associated with the project will influence the price of the electricity that is eventually created as a result of the tunnel and the expanding capacity.

In terms of the first part of your question, which I think was getting into kind of how you split the issues of responsibility, the original contract had a mechanism for mediation on any points of contractual disagreement. Ontario Power Generation and Strabag have maintained, notwithstanding the challenging circumstances of this project, a very, very good relationship and worked very co-operatively in a mediation process to arrive at a new model that will see the project toward its completion. For people who are not familiar with it: The assessments about the rock formation in the tunnel area were wrong and the expectations of progress were overstated, because there's been much more need, as we went along with the tunnelling, to reinforce the tunnel for safety purposes.

**Mr. John Yakabuski:** So would it not have been Strabag's responsibility to correctly determine what the rock formations were?

**Hon. George Smitherman:** I think that the original contract established responsibilities. Ontario Power Generation had researched the rock formations in that area, I think, over decades, and it is part and parcel of why they bear substantial responsibility for the price escalation.

The other thing—

**Mr. John Yakabuski:** So Strabag bid on the contract based on geological information that was given to them from OPG? They just accepted it and said, "Okay, this is what we'll bid on"?

**Hon. George Smitherman:** Yes, this is the common approach, where the developer will say, "We assert that the project's scope and scale looks like this." Then the project is initiated. In retrospect, it has not gone as predicted.

**Mr. John Yakabuski:** You're in fact telling us then that those were the circumstances, that OPG undertook to—

**Hon. George Smitherman:** The geology is off.

**Mr. John Yakabuski:**—sign off and say, "This is the geology that you will confront throughout the process of this project; these are the rock formations or the rock types that you will be boring through at this level, at that level"? All that information was provided by OPG to Strabag?

**Hon. George Smitherman:** Yes, this is the nature of the way—

**Mr. John Yakabuski:** I'm not asking about the nature; I'm asking if this was the specific in this contract.

**Hon. George Smitherman:** I have to defer to Ontario Power Generation and seek to get you more—at the heart of—

**Mr. John Yakabuski:** Can I just interrupt you for a second? How much time do we have left?

**The Vice-Chair (Mr. Garfield Dunlop):** Twelve minutes for you.

**Mr. John Yakabuski:** Maybe I can ask Mr. Arnott: Can you deal with your issues in 12 minutes? Because that's all we're going to have today.

**Mr. Ted Arnott:** I've got 12 hours' worth.

**Mr. John Yakabuski:** I'm going to pass this on to Mr. Arnott, then, and we'll pick this up at the next phase, because he did want to deal with that today.



**The Vice-Chair (Mr. Garfield Dunlop):** Okay, so we'll deal with that a little later on.

**Hon. George Smitherman:** Yes, no problem.

**The Vice-Chair (Mr. Garfield Dunlop):** So Ted, if you've got some—

**Mr. Ted Arnott:** Sure, yes. I want to say how much I appreciate the opportunity to speak to the minister on the record here at the estimates committee, because I have some significant concerns about the issue of the Bruce-to-Milton transmission reinforcement project, which has impacted many constituents in Wellington-Halton Hills. I was first informed of this issue before the 2007 election, and since that time I have heard from a significant number of constituents who believe that the compensation that Hydro One is offering—I hope that I have the minister's attention.

**Hon. George Smitherman:** I can multitask.

**Mr. Ted Arnott:** I'm sure you can. I don't doubt that.

The compensation is not sufficient for the impact that this proposal has meant on their lives. I want to ask the minister what he knows about the compensation principles that Hydro One has decided upon. I ask him that simple question: What does he know about that?

**Hon. George Smitherman:** I know they were not decided upon simply by Hydro One and that there were concerned individuals, impacted individuals, who are part and parcel of the working group that helped to establish the framework for compensation. It wasn't like Hydro One said, "This is what we have on offer and it's our final offer: Take it or leave it." I know that the manner of developing the proposed compensation was more sophisticated and involved the participation of affected landowners.

**Mr. Ted Arnott:** Have you been briefed on the compensation principles, and in what way have you been—

**Hon. George Smitherman:** I have not had a specific sit-down briefing on this, no.

**Mr. Ted Arnott:** Have you offered any suggestions or ideas for improving the compensation principles for the affected landowners?

**Hon. George Smitherman:** No. As I had a chance to mention to you when you brought this issue up in the Legislature, I believe it would be premature and inappropriate for a minister to insert himself into that conversation. The process is not completed. There's opportunity for dialogue amongst the parties, and it's my very strong bias to seek to have a successful conclusion of agreement and relationship achieved at the level where the 400 or 500 landowners are involved with Hydro One. I think that's consistent with what I said in the Legislature a couple of weeks ago.

**Mr. Ted Arnott:** I find it interesting that you'd say it's inappropriate, given the fact that your predecessor told me that he had given his instructions to Hydro One that affected landowners should be treated generously, that the compensation should be very—

**Hon. George Smitherman:** That is in the eye of the—I guess that word is seen differently by different individuals. I think it's certainly been our expectation

that Hydro One's approach in resolving these matters of settlement has been with a basis towards fair and equitable pricing. I think they've already executed 50 signed agreements in keeping with those values. So I think it's not surprising, given the nature of it. It's a commercial relationship; it involves valuations. There are very many different opinions which can swirl about that, but we think it's important to let the process continue to unfold, and hopefully we'll see more people signing on.

**Mr. Ted Arnott:** Do you ask your staff for updates on these sorts of issues or are you briefed, say, on a monthly basis as to the progress of these—

**Hon. George Smitherman:** No.

**Mr. Ted Arnott:** I'm surprised at that.

**Hon. George Smitherman:** Different people are going to operate in different ways. I don't have a standing brief that says, "It's the fourth Thursday; isn't this the day of the month where you tell me about all those things?" No, that's not the way I operate.

**Mr. Ted Arnott:** I should think that you'd want to—

**Hon. George Smitherman:** I keep my eye on it.

**Mr. Ted Arnott:**—know how this is impacting on people—

**Hon. George Smitherman:** With respect, you've asked me a style question; you haven't asked me a content question. I've answered your question with respect to style. At the heart of the matter, I remain quite aware of it from sources ranging from the media to questions that I might receive in the Ontario Legislature, conversations that I might have with members of an organization like Hydro One, and the informed positions that come forward from a variety of people that I'm in contact with. But no, it's not my habit of saying, "Every fourth Thursday—isn't this when you're going to brief me about the Bruce-to-Milton line?"

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**Mr. Ted Arnott:** My constituents in many cases have asked me to continue to raise this issue with you, and that's why I'm doing so, as their representative.

**Hon. George Smitherman:** No quarrel there.

**Mr. Ted Arnott:** They wanted to meet with you. I asked a question of you in the Legislature on May 8, asking if you would meet with them, and I was surprised that you were unwilling to do so.

**Hon. George Smitherman:** You shouldn't have been surprised; I had told you twice that week.

**Mr. Ted Arnott:** It has been routine in the past that ministers have met with people who have made the effort to come to Queen's Park. You yourself, as Minister of Health—I know because I participated in one of those meetings a few years ago, where you were willing after question period to sit down and look people in the eye and listen to their stories, to see how the government's policy is impacting on them. I would have thought that you would have at least listened to them and committed to checking it out with your staff; you didn't. I was very disappointed, quite frankly.

**Hon. George Smitherman:** Well, you shouldn't have been disappointed or surprised, because I very candidly

told you twice that week that the likelihood of me meeting with them was somewhere between nil and some spot close to nil, so I don't know why you would have been surprised by that.

I take your point of view that you're representing your constituents, but I do think that there's a place and a time for everything, and as the process is an ongoing one, where Hydro One has requests from 80 landowners to meet with them and to present documents on the path toward, hopefully, settlement, the process continues apace. Maybe there will be an appropriate time, but I didn't feel that that was the appropriate time.

**Mr. Ted Arnott:** I have letters here from four of my constituents, who had been told by Hydro One that they're not going to get anything, even though they live very close to the line. Each of them has their own individual circumstances and stories. In one case, people had their home for sale and when the hydro line news broke, the sale fell through. Since that time, the property values have dropped precipitously. In another, very tragic, case, a constituent—I'll just briefly read you this letter, since you were unable to meet with one of my constituents, who was here earlier this month:

"I want you to be aware of how Hydro One has affected my life. Back in March 2007, we were notified that Hydro One wanted to twin the existing tower. As a result, it would run through the garage of our four-year-old house. It was devastating news to my family. My husband was self-employed with a landscape construction business, and we had searched for years for a property where we could live and run our business. There were very few pieces of property at that time where we could live, run a business and raise our sons in the country. Residential commercial land is almost extinct in Halton Hills.

"After searching for years for this property, the thought of starting over again was overwhelming. My husband, Dave, was part of the power line group. He attended the first few meetings. He wrote to the Independent to make the public aware of what was going on. This was also the springtime, which was the busiest time of year for landscape construction. That was coupled with the threat of expropriation by Hydro One being held over our head.

"Finally, on Sunday, May 6, a staff person from Hydro One phoned our residence at approximately 1630 hours. He spoke to my husband about e-mailing pictures of new hydro lines going through our residence, upsetting my husband as I have never seen before. Sunday was his only day off every week, and it was family day. My husband spent the new few hours conversing with one of our neighbours, who was also in the same predicament with his property.

"After midnight, my husband collapsed and later died the following day from a brain aneurysm. As a result, I am left alone to raise my two sons. My company is no longer in operation, as my husband was the heart and soul of the operation, and no employee was qualified to take over.

"Now that Hydro One has decided to twin the tower on the west side, my property value has plummeted. Last spring, there was talk of compensation for four affected homeowners whose lives were destroyed. I have yet to receive any money.

"If Hydro One gets to dictate, why weren't we told this upon purchase of our property? Had we been aware of Hydro One's intent to twin the existing tower, we would have never bought this property. Now, Hydro One Networks Inc. states that they have no responsibility for damages and the impact as made to myself and my children. As a citizen of Ontario, I find this unacceptable that they can destroy my life and then completely wash their hands of any wrongdoing.

"So as it stands, I've lost my husband, a father for my sons, a business and property value. How can Hydro One get away with this devastation?"

I bring this to your attention in this public forum because I think there's an injustice here that needs to be addressed, and I would respectfully ask you to bring this to the attention of Hydro One, as Minister of Energy, in the power that you have, to encourage them to take an approach in terms of compensation that is fair to the affected landowners, in the public interest.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got just under two minutes to respond.

**Hon. George Smitherman:** Sure. Firstly, obviously I have sympathy for any circumstance where an individual has linked a matter of public policy with a health occurrence. I witnessed my father felled with a massive brain stem stroke, and I've come to understand some of the anguish that's reflected in such a letter.

At all times, I believe that Hydro One is operating with a view toward fairness, again, recognizing that people are going to value and have their own valuations. It's a very, very difficult science. In moving forward with offers for compensation associated with transmission lines, I think it's important to remind everybody that Hydro One has developed those guidelines in partnership with groups of landowners; that 50 landowners have already signed on; that many more are in the process of reviewing documents etc., with a view toward that.

I get the point. One of the first things I said as Minister of Energy was that I get that nobody is looking for more electricity infrastructure in their backyards. It does make for difficult decisions when you're talking about imposing the same in areas where people are living, and I feel that Hydro One has gone about that work with a view toward fairness.

The honourable member representing some constituents—they may express a different point of view, but I'm of the opinion that they have been operating in good faith and with a good suggestion in terms of pricing.

**The Vice-Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. That's right on time.

I'm going to ask the committee a question right now. Mr. Yakubuski would like to leave. I don't know, Minister, if you're planning on doing your full 30-minute response after Mr. Tabuns, but if you're not, then we would go into at least one 20-minute rotation. Would—



**Mr. John Yakabuski:** I was going to propose a motion for that.

**The Vice-Chair (Mr. Garfield Dunlop):** If you could, I'd like to get unanimous consent—

**Mr. John Yakabuski:** I would ask the committee if I, as the representative from the official opposition, in the first hour of 20-minute rotations, could take the third 20-minute section as opposed to the first. That would alleviate my challenges with respect to time. Each hour is going to be a rotation?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes.

**Mr. John Yakabuski:** If we could do spot three in that first hour rotation, I would be—

**The Vice-Chair (Mr. Garfield Dunlop):** If and when it begins. So that would mean that Mr. Tabuns would take the first time.

Are you in favour of that?

**Ms. Laurel C. Broten:** Yes.

**The Vice-Chair (Mr. Garfield Dunlop):** Then that's carried, and you can leave now if you want to.

**Mr. John Yakabuski:** Thank you very much.

**The Vice-Chair (Mr. Garfield Dunlop):** I'm not sure whether the minister is even going to do the full 30 minutes. He has the potential to do that if he wishes.

Mr. Tabuns, it's on to you.

**Mr. Peter Tabuns:** I'm assuming, Chair, that I get to ask questions; I don't have to make a 30-minute presentation.

**The Vice-Chair (Mr. Garfield Dunlop):** You can make a 30-minute presentation or a two-minute presentation, or you can go directly to questions to the minister.

**Mr. Peter Tabuns:** I know it's odd for a politician, but I'd rather ask questions than make a speech in this situation.

Following on your presentation at the beginning, Minister—and I appreciate you going through the full breadth of your ministry—on the smart meters, can you tell us what you've calculated to be the energy savings, in megawatts, for the system from the investment in smart meters?

**Hon. George Smitherman:** What I said in the speech was that smart meters are the enabler for strategies like time-of-use pricing. As we're just moving into the launch of province-wide time-of-use pricing, I would imagine that, to date, the measurable megawatts are negligible at best. I think we have projected, associated with our 6,300-megawatt conservation target, that smart meters are likely to produce something in the neighbourhood of 100 megawatts—86 is the number that's in my head—of reduction, as they enable strategies like time-of-use pricing to come into play.

**Mr. Peter Tabuns:** If we could have confirmation of the total—

**Hon. George Smitherman:** The deputy is making a note of that question.

1700

**Mr. Peter Tabuns:** Great; that would be useful. Could you provide us the study upon which that calculation of reduction demand is based?

**Hon. George Smitherman:** Sure. That probably would have come out of the Ontario Power Authority, but we'll look into that.

**Mr. Peter Tabuns:** Okay. The Sears building, the \$100-million investment: Can you tell us what the energy use reduction will be in that building?

**Hon. George Smitherman:** I'd be very happy to do so. We're just in the earliest phases of determining that. Our goal is to move it to a LEED gold standard or perhaps even LEED platinum, depending upon what's available. At that point I should have a good apples-and-oranges comparison of the improvement that's made. We don't have that yet, but I will ascertain and provide that to you, and also a tour of that building if you're interested at all. It's quite a remarkable building.

**Mr. Peter Tabuns:** No. I believe it's a remarkable building. I would be interested in knowing the reduction in energy use that is projected to come out of the \$100-million investment and—

**Hon. George Smitherman:** The Ontario Realty Corp. has quite a lot of that work done. Overall, in terms of the government's complex etc., we want to get started there and move into other buildings that are part of our fleet of buildings.

**Mr. Peter Tabuns:** In your commentary you said that you were looking at a 10% overall reduction in the OPS's carbon footprint. Can you tell me why you've set 10% rather than a more ambitious target of 40% or 50%?

**Hon. George Smitherman:** We can give you the stats. That's from the Ontario Realty Corp., and we can demonstrate what that's all about.

**Mr. Peter Tabuns:** I appreciate the offer, but more, why would you set a target of 10% rather than a more ambitious target?

**Hon. George Smitherman:** I was personally surprised that the number was that low, so I can't really defend it very well, in the sense that we already know that, through efforts that we've taken, we've reduced electricity consumption in the government's owned and leased spaces by 15%, so the 10% number seemed low to me as well. I don't have a better answer right now, but I'll ascertain and get you one.

**Mr. Peter Tabuns:** Okay, I appreciate that. The Green Energy Act, the 50,000 jobs that are projected: Is that 50,000 person-years of employment or 50,000 jobs per year over the next three years?

**Hon. George Smitherman:** I guess it's direct and indirect, amounting to 50,000. I'm not able to be more precise in that calculation. The deputy may have more information.

**Mr. Peter Tabuns:** Can the deputy speak to that, whether it's 50,000 person-years of employment, or 50,000 jobs that are continuous over next three years?

**Mr. Saïd Rafi:** I believe it to be the latter, but I will verify it during the course of your remarks, if I might.

**Mr. Peter Tabuns:** Okay, and if you could break that out between construction and manufacturing, I would appreciate that.

**Hon. George Smitherman:** Yes, we have some of that data. We'll be happy to share it.

**Mr. Peter Tabuns:** Okay. Can you tell us what your targets are for Toronto, Ottawa, Hamilton and Windsor in terms of distributed electricity generation?

**Hon. George Smitherman:** I don't know that those exist broken down like that, but as we move toward the integrated power system plan, it may be possible to inform those. At present, if you could imagine, because of the Green Energy Act, there's a fair bit of recalibration going on. Look at it in a Toronto context, though: We think that moving to more of a model of distributed generation gives us the opportunity, as an example, to eliminate that third transmission source into Toronto. We're working around that, but I don't know that we would have a number at present, but I'm very happy to try and give you all the information that's available through the Ontario Power Authority.

**Mr. Peter Tabuns:** Okay. Do you have a sense of when that calculation would be available?

**Hon. George Smitherman:** No, I really have gone about as far as I could. Anything beyond that, I'm just speculating.

**Mr. Peter Tabuns:** Okay. The estimates briefing book said that the minister instructed the OPA to review a "modest portion" of the proposed energy plan. Can you elaborate on what is and what is not being reviewed?

**Hon. George Smitherman:** I'll be happy to give you all the information on the directive. I think that's been public information. I'm happy to show you that again.

**Mr. Peter Tabuns:** Okay. Are you reviewing the 23% existing supply that comes from hydroelectric generation?

**Hon. George Smitherman:** We're certainly seeking to enhance the proportion of renewable energy, so we would only be reviewing that with a view toward trying to expand it.

**Mr. Peter Tabuns:** And the 53% supply for nuclear: Is that up for review?

**Hon. George Smitherman:** I think if you look at the language of the directive, it was focused on renewables and whether we could enhance our targets with respect to renewables and whether we could achieve our targets with respect to conservation more promptly. That was the more particular focus. I don't know if anyone has the actual language so I could read it into the record.

**Mr. Peter Tabuns:** What I'm trying to understand, Minister, is that if the percentage of hydro generation is roughly the same and the amount of nuclear generation is roughly the same and if the gas-fired generation for peaking stays at around 8%, then there's effectively a ceiling on the amount of new renewable generation that comes online.

**Hon. George Smitherman:** That's been an argument that people have made, but I think the difficulty with it is that you're calling a ceiling as if we've already achieved the full potential of renewables to fill that space, much less that the IPSP is already designed in a way that allows a review every three years. So if you think about our energy supply mix, it's evolving. It has evolved quite a bit in the last four or five years. We see a pretty sub-

stantial hole for thousands and thousands of megawatts of additional renewable energy. They're not built yet. We've created a framework which allows them to come forward, and as that occurs, say three years from now, there'll be an opportunity again to review the IPSP with that new information at hand.

I think what we're focused on at the moment is that very substantial hole for megawatts—probably what, maybe 15,000 or something like that; well, 15,000 megawatts at \$2 million or \$3 million a megawatt—and what you're basically saying is, "Well, after we get \$30 billion worth of additional investment in renewables, there's going to be a ceiling." I'm quite a bit more focused on trying to bring those billions and billions of dollars of investment to life, recognizing that the energy supply mix is open to review every three years in the context of the IPSP. That's built right into the framework of the IPSP.

**Mr. Peter Tabuns:** But the reality of what you're saying is that then the nuclear portion is open to review. If there's that uptake on renewable energy that is more rapid than you expect, and frankly in Germany there's pushback from the nuclear interest and the coal interest because there's so much renewable coming online, are you actually saying, then, that there is not a reserve percentage of the mix for nuclear?

**Hon. George Smitherman:** I think what I'm saying is that if you think about nuclear, you're talking about it as just "nuclear"—a word and a number. If you think about it, it's 20 different reactors or what have you, and associated with each of them is a necessary consideration for strategies around retrofit or not, refurbishment or not. So even within the nuclear line there is tremendous opportunity every three years for consideration on a unit-by-unit basis: What are Ontario's needs? What's the long-term viability of this reactor? Is it worthy of refurbishment etc.? Even within that line, there's much opportunity for consideration, more detailed on a unit-by-unit basis.

**Mr. Peter Tabuns:** I just want to be very clear, though. You're saying that the goal—and there was a document that the OPA put out at about the time you made your announcement about the Green Energy Act—of having 53% of the supply mix coming from nuclear is not fixed, that in fact it could be far less than 53%.

**Hon. George Smitherman:** I'm saying it's a reflection; it's a snapshot with what we can see in a current and short-term realm. What I'm offering is that on an ongoing basis, policy-makers and decision makers will have opportunities to consider whether that's the right number.

Our goal has been to have a renewal of our nuclear fleet at around the same ratios of utilization in the overall energy supply mix as we had for a while in the province of Ontario. We see a very, very substantial opportunity for tremendous investment in renewable energy, and three years from now and six years from now, people who are in roles like yours and like mine will have an opportunity for that discussion and that debate.

We look at the overall age of our reactors and we see the necessity because we believe in nuclear energy on the



long term. It's been a very, very important part of the energy supply mix in Ontario for nearly 40 years. We see the necessity of looking to invest in new reactors, not to say additional reactors but to, overall, make our fleet newer. The proposal for two new units at Darlington is with a view toward making sure we're taking the steps that will not create a situation at any one time where all of Ontario's nuclear fleet is in need of refurbishment or replacement. Just as if you had a fleet of 20 trucks or 20 bicycles, you'd look to try and stagger their age and to make necessary investments in their renewal from time to time.

1710

**Mr. Peter Tabuns:** The ministry goals: If a key priority of the ministry is ensuring that Ontario's electricity needs are met in a sustainable manner, and a top strategic objective for the ministry is ensuring a clean, affordable and sustainable energy system, why is the government moving ahead with refurbishing and building new nuclear reactors, which are neither clean nor sustainable?

**Hon. George Smitherman:** I know that there's not agreement in the environmental community on the issue of cleanliness. I hear that with respect to the discussions that will go on in Copenhagen, nuclear is very, very clearly part of the solution mix as people are seeking to try and have energy supply that is conducive to our goals to positively impact the climate agenda. So I just want to mention that there are some notable folks, some who used to campaign with you and perhaps no longer do, who do take the view that nuclear is clean. It's got a very good track record here in the province of Ontario. It's been a very, very substantial provider of electricity for a long time. It's providing a lot of the electricity that we need today in the province of Ontario as we speak. Accordingly, Ontarians, who were very, very aware of the government's plans in the last election, chose to support our government and to give us the mandate to continue apace with our plans to make sure that Ontario's nuclear fleet is relatively newer than exists now. That isn't to say that there will be more nuclear, just that they have a lifespan. Older units give way to newer units, just as old cars are retired and replaced with new ones—or bicycles.

**Mr. Peter Tabuns:** And at times technologies are replaced by other technologies.

**Hon. George Smitherman:** Absolutely. I think that the Green Energy Act is a very, very bold statement about our government's view. Some people called for caps or targets, which in my way of thinking is actually pretty much the same thing. We've created a model here with the feed-in tariff which sends the message that we're open for green business and that the bounty of Ontario, which because of our vastness offers many, many exciting renewable energy opportunities—we're hanging that sign out for the whole world to see, "Please come here and invest"—in helping to see our green energy, which we've made some good progress on in the last few years, emerge at a much more rapid pace.

**Mr. Peter Tabuns:** So if in fact the uptake on renewables is such that more renewables are being built

than the current space allocated in the supply mix that you've planned for, if the uptake in renewables is such that nuclear power already in existence becomes redundant, are you going to continue to fund new renewable power as it comes on stream?

**Hon. George Smitherman:** I think those are hypothetical questions for downstream. I would just say that the scenario that I think has to be built into that question actually has quite a bit to do with transmission capability. What I mean is, well before we get to that point, the question will be whether as a government we're prepared to make the investments that unlock a lot of the renewable potential which you and I both know is hard to get to the market where it's required absent of some additional transmission capabilities. So I think that you've kind of got the chicken and egg a little bit out of sequence.

**Mr. Peter Tabuns:** No, no, I think the chicken and egg are doing okay here. The question is, you're saying that there is no cap on the amount of renewable power that can be constructed in Ontario and renewable electricity that can be fed into the system; is that correct?

**Hon. George Smitherman:** What I said was, and what I've said about—

**Mr. Peter Tabuns:** I'm trying to understand.

**Hon. George Smitherman:**—five or six times now, is that if you look at the integrated power system plan, if we look at what we're facing right now, we have a tremendous opportunity for an extraordinary array of new renewables to come online. If that occurs—and I'm very hopeful that it will, and I see early and positive signs about those investments—then three years from now and six years from now, all involved policy-makers will have an opportunity to visit the IPSP and to determine whether the energy supply mix that was determined today is exactly the right one for three years from now or six years from now, on a go-forward basis. For right now, we put out the sign, "Open for business," and we try to encourage renewable energy to fulfill this very exciting and substantial opportunity.

**Mr. Peter Tabuns:** And the opportunity is defined by the opening that you see in the supply mix right now?

**Hon. George Smitherman:** Well, however you measure it—we could have this discussion back and forth all day. It's 10,000 or 15,000 megawatts and it's billions and billions and billions of dollars, so rather than get myself all hunkered down in a debate about what might be down the road, I'm very focused on the opportunities of the moment: to encourage renewable energy to come online, to build additional transmission capability which unlocks future renewable energy, in the recognition that an energy supply mix is evolving, as it has in the last several years, and that every three years, by design, you get an opportunity to take a look at how you're doing.

**Mr. Peter Tabuns:** I'll ask a question, but I'll just make a statement: The reality is that when you make a decision to build two new reactors at Darlington or when you put several billion dollars into a new supply line, you are determining what the mix will be for decades. Those are not decisions that come up every three years; those

are decisions that lock in a society and an economy for an extended period of time, and—

**Hon. George Smitherman:** That's not fully accurate, really, is it?

**Mr. Peter Tabuns:** Really?

**Hon. George Smitherman:** Because obviously a product is around for a certain period of time, so we have installed capacity in Ontario north of 30,000 megawatts.

**Mr. Peter Tabuns:** Right.

**Hon. George Smitherman:** We're talking about two new reactors at Darlington, between 2,000 and 3,200 megawatts in total. But please keep in mind that all of those existing nuclear units that we have, some of them date back to the 1970s and many of them to the 1980s. Obviously, they have a shelf life which is relatively limited.

It seems like the scenario that you're creating is that new units are piled upon existing units. The point that I'm making is to say, we're talking about having a fleet that is consistent in its overall capabilities but that is staggered by age, so that we're not in a situation where all of the units are exactly the same age and might all be required to be refurbished or replaced at exactly the same time. So I think it's a very orderly way to do it.

As I mentioned, the people of Ontario, in the last election, had an opportunity to speak with their vote on whether they supported a government that was going to renew our nuclear fleet. We were very transparent about it, and the results of the election are quite transparently known as well.

**Mr. Peter Tabuns:** Having canvassed in the same election as you, I have to say that at the door, faith-based funding was far more of a discussion item than nuclear power.

**Hon. George Smitherman:** Well, it's very—

**Mr. Peter Tabuns:** And I will say that that was far more determining in the vote than Ontario's energy future.

**The Vice-Chair (Mr. Garfield Dunlop):** Let's not go back there.

**Mr. Peter Tabuns:** Well, some were more scarred by the experience than others.

Will you be making a decision about the refurbishment or closure of Pickering B in 2009?

**Hon. George Smitherman:** I think it's been our expectation, yes, that Ontario Power Generation and their board would be considering this matter and sending their advice along to the government of Ontario. I think I've spoken publicly to say that I anticipate that that's a 2009 decision point, yes.

**Mr. Peter Tabuns:** Okay. In December 2008, the IESO stated in their paper, The Ontario Reliability Outlook, that the 2,000-megawatt capacity from Pickering B and the 1,000 megawatts from Pickering A "might be replaced with stepped-up implementation of conservation, more installation of renewables, more intensive operation of existing gas generation, the introduction of new-build gas generation or higher volumes of imports." Was that an accurate statement on their part?

**Hon. George Smitherman:** I have no idea, but I'm a little bit—I've got to assume so. But just by raising the question, am I to assume that you're now in favour of the importation of coal or that you want to step up the use of fossil-fired gas generation?

So I think what the IESO report—and they've had more recent reports as well—indicates is that we've got very good stability of supply, that we're making excellent progress towards the elimination of coal, North America's largest climate change initiative, and highlighting that there are always, in any energy supply mix consideration, opportunities to look at alternatives.

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**Mr. Peter Tabuns:** Just for the record, no, I don't support importing coal-fired power from the US Midwest. There's an opportunity to put in place renewable power, conservation, and importing, if we must, hydro-electric power from Quebec. The question for me is, if there are all those options there, why are you even considering replacing Pickering B with a new nuclear power—

**Hon. George Smitherman:** But we're pursuing all of those options that you just mentioned. There are three things that you liked there. We're the ones who have invested several hundreds of millions of dollars in a 1,250-megawatt inter-tie with the province of Quebec. It enhances our capacity not just to get their hydro, but also, frankly, to sometimes trade off our overnight nuclear capacity, as a small example. Obviously, in terms of renewables, we both agree that there's a substantial opportunity for thousands and thousands and thousands of additional megawatts, to the tune of billions of dollars of investment. We're pursuing that vigorously through the Green Energy Act, and we appreciate your support. On conservation, we have a really substantial goal: 6,300 megawatts is enormous. Through the Green Energy Act, we seek to add another \$900 million of conservation-related investment to assist homeowners and business operators to transition themselves to lower overall energy use and to add to our ability to meet our future needs with more conservation.

So I think that on those three points that you mentioned, our government's energy policy is operating in each of those realms.

**Mr. Peter Tabuns:** Can I assume, then, that you're predisposed now to not refurbishing Pickering B?

**Hon. George Smitherman:** I think you asked me earlier if the government of Ontario would be making a decision in this calendar year about the future of Pickering, and I said, yes, we would. Ontario Power Generation and their board will send us some advice, and at the appropriate moment, I'll be sure to let you know what our viewpoint is, along with the rest of the people in Ontario.

**Mr. Peter Tabuns:** The reactors at Pickering are unusual, in that eight reactor buildings are supported by only one containment system, and the containment system can only deal with one accident at one reactor. Is that correct?



**Hon. George Smitherman:** The first part I know to be the case, but I'm not certain of that latter point. Of course, at Pickering, some of the units are no longer operating and not subject to any refurbishment.

**Mr. Peter Tabuns:** Can anyone in your ministry speak to that point?

**Hon. George Smitherman:** Yes, we'll seek to get that information for you.

**Mr. Peter Tabuns:** In August 2007, the Canadian Nuclear Safety Commission wrote, "At Pickering B some initiating events could produce multi-unit accidents."

**Hon. George Smitherman:** Was that their full report? That one line?

**Mr. Peter Tabuns:** I'm sure there was more, Minister.

**Hon. George Smitherman:** Obviously, the CNSC is the regulator for the operation of nuclear units, all of those that we have in the province of Ontario, and the nuclear units go through extraordinarily rigorous regulation from CNSC. They have many staff on site at each of the nuclear facilities. Ontario Power Generation and Bruce Power work vigorously, of course, to be in compliance with all directives of the CNSC.

**Mr. Peter Tabuns:** I look forward to the report back from your staff, but if in fact a multi-reactor accident is possible, have you looked at limiting the output from that reactor so that the containment system can protect the population living around that reactor?

**Hon. George Smitherman:** I think I've already indicated that on the nature of those questions, I'm going to take those under advisement and seek to get you the very best information in response.

**Mr. Peter Tabuns:** Okay. Has the government revised its cost estimates for new nuclear reactors since 2005?

**Hon. George Smitherman:** I think that it has only ever been—if I'm right—the Ontario Power Authority that has ventured, in the past, some cost estimates associated with new nuclear units and refurbishment. I've always said that pricing isn't fully known until such time as you've actually engaged in the choice of a proponent. They've got their technology licence to be able to construct it and the like. I'm not aware of an estimate that we have on these matters. I find the nature of estimating on any large infrastructure project that has a 10-year build-out to be a highly suspect science. Just like when Christopher and I undertook that little renovation of the apartment that we just moved to—six weeks later, the final price didn't look like what it was at the beginning. So I'm always one of those that holds with some suspicion the ability of folks to project what those costs are on a project that is big and takes 10 years to complete.

**Mr. Peter Tabuns:** At the OEB in 2007 the OPA indicated that overnight the capital cost of \$3,600 per kilowatt for nuclear stations would be uneconomical. Do you concur with their conclusions?

**Hon. George Smitherman:** Again, I don't have history on that point, but I believe that the regulated price

that we are paying for nuclear power is north of the number that you quoted, and perhaps that stands as best evidence in answer to that point.

**Mr. Peter Tabuns:** Sorry—

**The Vice-Chair (Mr. Garfield Dunlop):** Only about two minutes left.

**Mr. Peter Tabuns:** Minister, maybe I wasn't clear. That's the capital cost.

**Hon. George Smitherman:** Oh, sorry. Could you ask—

**Mr. Peter Tabuns:** Three thousand, six hundred bucks per kilowatt installed, the capital cost for nuclear.

**Hon. George Smitherman:** I have no knowledge. I'm not even particularly familiar with analysis of capital cost on that basis. More typically, when I'm looking at these things it would be towards trying to understand projections of what all-in costs would be. We could take that one and try and get you an answer, but it's not a report that I'm familiar with or particularly in a language that I'm familiar with.

**Mr. Peter Tabuns:** You were recently reported as suffering sticker shock from having seen the reports, the prices that came forward from proponents. Was that an accurate report in the *Globe*?

**Hon. George Smitherman:** I think the *Globe* and *Mail* has a particular difficulty getting stories about nuclear power right.

**Mr. Peter Tabuns:** I'll keep that in mind.

**Hon. George Smitherman:** I mean, Ms. Howlett's earlier intervention on the subject of nuclear power had one of the three proponents dropping out of the process and printed that as if it was factual, and I found that that latter story lacked a factual foundation as well.

**Mr. Peter Tabuns:** Moody's bond rating estimated the capital cost for new nuclear power plants at about \$7,500 per kilowatt, which is substantially more than the OPA felt was economically viable for building nuclear. Is there a price at which you would abandon the nuclear venture in Ontario?

**Hon. George Smitherman:** I'll say two things. I've said many times to the media that of course it's our obligation to seek to purchase new nuclear capacity well. Yes, of course price is one of the considerations. We have an obligation to be mindful around that, like I mentioned a second ago, more typically looking at all-in price as opposed to one element of cost alone. You have to look at what is the length of the asset and look at it over that stretch of time. The tunnel at Niagara: The price has gone up, but it's got a 90-year life and that helps to assuage some of that impact.

Yes, of course we're going to be sensitive on matters of a price. We're seeking to try and make a very good purchase on a very big product.

**The Vice-Chair (Mr. Garfield Dunlop):** That cleans up the time on this particular rotation.

**Mr. Peter Tabuns:** Oh, Chair.

**Mr. Saïd Rafi:** Chair, can I just close out the question—

**The Vice-Chair (Mr. Garfield Dunlop):** Go ahead. Yes, sure.

**Mr. Saād Rafi:** You'd asked about the jobs, Mr. Tabuns. Direct and indirect jobs over three years is what the 50,000 refers to.

**Mr. Peter Tabuns:** Yes.

**Mr. Saād Rafi:** It's a conservative estimate and it's based on multipliers.

I think you also asked about what percentage of those jobs were construction. So again, approximately 15,000 of the 50,000 would be construction jobs.

**Mr. Peter Tabuns:** I'm sorry, is that in person-years of work or 50,000 people working full-time every year for three years?

**Mr. Saād Rafi:** Right. It's very difficult to say how many of those jobs would continue on in manufacturing, in servicing. We have been very careful not to overreach on both the number and its specific accuracy. So when I say "direct and indirect jobs over those three years," the construction jobs of course would not be permanent jobs.

**Mr. Peter Tabuns:** Right.

**Mr. Saād Rafi:** I've just tried to give you an indication at a very high level because our calculations were not that granular, nor should they be, before we see the take-up in the investment interests out there.

**Mr. Peter Tabuns:** I understand and I appreciate you qualifying it, but there's a difference between 50,000 person-years of employment and 15,000 people being employed on an ongoing basis—15,000 people per year at 45,000 person-years of employment over three years. Can you tell me which you were using?

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**The Vice-Chair (Mr. Garfield Dunlop):** Feel free to comment if you'd like to—

**Mr. Saād Rafi:** What we're trying to get across is, it is a mixture of both, because the construction jobs are going to last for as long as the construction is undertaken. Some of the other jobs, such as manufacturing of renewable energy systems and the servicing jobs, they would, quite potentially, be permanent jobs going beyond three years.

**Mr. Peter Tabuns:** I understand. Can you tell me, in that 50,000, how many are permanent and how many are person-years of employment?

**Mr. Saād Rafi:** I don't think anybody could tell you that in a definitive way.

**Mr. Peter Tabuns:** No, but your estimate is based on something. If you come up with a number of 50,000, you've added a lot of stuff up to come to that.

**Mr. Saād Rafi:** Potentially 35,000 could be ongoing jobs; 15,000 would be construction. So one could surmise that 50 minus 15 is 35: 35,000 jobs could be—could be—ongoing jobs.

**Mr. Peter Tabuns:** Thank you. That's much clearer.

**The Vice-Chair (Mr. Garfield Dunlop):** The minister's just taking a quick break, here. So that wraps up the third party's opening 30 minutes. When the minister comes in, I'll give him a chance to respond for anything he may want to say, and for whatever time he

doesn't use we'll go right back to Mr. Tabuns, and then after his 20 minutes we'll finish up. Okay? I'm not sure whether the minister wants to say anything or not; we haven't got that clarification from him. I have a feeling he'll come back and say something.

Here he comes. Minister, you have an opportunity here now to spend up to 30 minutes or whatever time you'd like to spend responding to anything that was said here this afternoon, or we can go right to—

**Hon. George Smitherman:** No, let's just keep rolling.

**The Vice-Chair (Mr. Garfield Dunlop):** In that case, then, Mr. Tabuns, we'll go right back to you. You've got the next 20 minutes and then we'll adjourn after that.

**Ms. Laurel C. Broten:** The best-laid plans—

**Mr. Peter Tabuns:** Of mice and parliamentarians.

**Hon. George Smitherman:** Thirty minutes was a lot, so I didn't really want to have to talk. I didn't want to subject everybody to more of that.

**The Vice-Chair (Mr. Garfield Dunlop):** It wasn't bad. We've had a good afternoon so far.

**Mr. Peter Tabuns:** Calls of "encore" from the other side of the room are not appreciated by either the opposition or the minister. There's a common purpose here.

**Mr. Bob Delaney:** Careful, Peter, if you're asking us to make a value judgment between listening to George and hearing you, and that may be—

**Mr. Peter Tabuns:** I know; it's the tough call. It's a very tough call for everyone in the room.

Minister, your briefing book refers to nuclear power as low-emission, and you regularly refer to nuclear power in the Legislature and elsewhere as zero-emission. Which of those statements is correct: zero-emission or low-emission?

**Hon. George Smitherman:** To the very best of my knowledge, zero emission is the right characterization. As I mentioned before, I believe that the discussions in Copenhagen will be instrumental in clarifying this.

**Mr. Peter Tabuns:** Your briefing book indicates that Ontario's nuclear plants release minimal greenhouse gases. We'll go with your zero. The greenhouse gas emissions of the full life cycle of nuclear production, including mining of uranium, building of plants, disposal of waste: How does that compare with other sources of energy—the full life cycle?

**Hon. George Smitherman:** That is an area of valuation that I notice is coming more and more to the fore, but I'm aware of no comparison on the various forms.

**Mr. Peter Tabuns:** There was an article—

**Hon. George Smitherman:** I can give you a small example.

**Mr. Peter Tabuns:** Go ahead.

**Hon. George Smitherman:** We build two new units at Darlington. We have almost no additional requirement for transmission. You might look at some renewable energy and say, "Oh, well, that has less of an impact," but if a transmission line is what's required to enable it, obviously it will. So when you start to look at it from that perspective, there are quite a few different things in that



basket that you want to consider. One advantage that we know we have at Darlington is from a transmission line capability. So I think you have to be careful about the way you compare those things. But that's something that I haven't seen: a source-by-source-by-source comparator.

**Mr. Peter Tabuns:** There was an article—

**Hon. George Smitherman:** Some of that's about economic opportunity for our friends in the building trades and those sorts of things as well.

**Mr. Peter Tabuns:** Energy Policy magazine, in a June article, reviewed full-cycle greenhouse gas emissions and found that nuclear energy emitted six times the greenhouse gas emissions of wind and five times the GHGs of solar. Is this in line with your government's assessment of the GHG emissions from the different sources?

**Hon. George Smitherman:** I don't know that publication; I don't know the author of the study. I can't validate the information in the study. I don't know whether they've taken into consideration the life cycle of the product and the like, so I'm not really well positioned to accept or to characterize those things that you're commenting on.

**Mr. Peter Tabuns:** Then I'd ask if your ministry could actually take a look at that, because in fact the greenhouse gas emissions from the different sources of power are a consequence, as I'm sure you're aware. And if that rebalances one's thinking about nuclear power and its emissions, or lack of them, that would be useful for us to have as part of your public policy assessment.

**Hon. George Smitherman:** Sure. We'll see what we can do in terms of creating the kind of apples-to-apples comparator that people would want to know that we are working on, on that basis.

But I just do note for the record that you mentioned wind and solar, and of course, we're promoting the integration of these in a more substantial way into our energy supply mix. With things like our domestic content rules, we would anticipate that the situation that's occurring quite often now, where 120-tonne wind towers are being shipped here from Europe, would be an obvious opportunity to try to diminish, if you will, their greenhouse-gas and climate-change impact by having more local manufacturers.

So yes, we'll be happy to take a look at the study that you've mentioned and see what we can take away from it.

**Mr. Peter Tabuns:** I'd appreciate it. On May 21, Minister Bartolucci urged Sudbury city council to veto any plans to site nuclear waste in Greater Sudbury. He said, "Our community must be clear in our message to city council that we do not want this type of storage in our community. There is no dollar figure, no salary, and no number of jobs that would be worth risking the health of our children, our landscape and our future."

Do you concur with Minister Bartolucci that there are health risks associated with the storage of radioactive nuclear waste; that is, spent fuel rods?

**Hon. George Smitherman:** No. I've been very clear in saying that while I understand that as an elected

member of the Ontario Legislature, in a process which is designed to seek out—the first thing I should say is, this is a federal government entity that is responsible for finding long-term siting for spent fuels. I understand that Minister Bartolucci, as an MPP, may want to be involved in such a discussion. It's not a position that I hold. I think that from our experience here in Ontario, we've been able to very, very safely manage the spent fuel which has been part and parcel of our four decades of nuclear power generation in the province.

At the same time, I just want to reiterate that the core principle of that process, which is being led by a federal government organization, is to seek out a willing host. I think that in keeping with that, the community of Sudbury is having its debate, and other communities will have the opportunity to have theirs, too. It's a very, very long-term plan.

**Mr. Peter Tabuns:** The Nuclear Waste Management Organization is a federal organization; no argument around the table. But the bulk of the spent fuel rods that they'll be dealing with will be generated here in Ontario, and we're about to make decisions that will put a lot more of those fuel rods into storage. So you see no health risks from the storage of nuclear waste?

**Hon. George Smitherman:** Uranium is mined and comes out of the ground with a level of radioactivity. The proposals are that after a period of use as fuel, efforts are made at nuclear sites to have that spent fuel be in pools of water for a period of time and subsequently encased in technologically advanced cement-laden containers. It seems like there has been a very good track record in the province of Ontario with our ability to manage spent fuel, both in a safe way and by volumes overall.

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I think it's a very, very important process that encourages communities to consider it and gives ample opportunity for a very, very involved conversation to occur in any community that might be considering it. I know that organization is, at present, travelling about the country and doing a series of forums to enhance understanding about it.

**Mr. Peter Tabuns:** We've had nuclear waste to deal with in Ontario for the last 40 or 50 years, and in order to be safe, we're going to have to store this material away from the biosphere, away from people, for tens of thousands of years. Do you think you can extrapolate the experience of the last few decades reliably over thousands of years?

**Hon. George Smitherman:** I think it is possible for people like you to construct this discussion in a way that it's just the world's biggest "gotcha" question.

**Mr. Peter Tabuns:** My goodness.

**Hon. George Smitherman:** You're asking me, a mere mortal, to talk about something in a 10,000-year period. The geological formations from which the uranium was extracted have been in play for a substantially long period of time. I think there are many people far more expert than me who can give good technical advice about ways to encourage this safely.

I would say that our experience over just four decades of dealing with spent fuel would seem to lend confidence to longer-term solutions that would only be arrived at after an extraordinary degree of community engagement and technological exploration.

You're talking here about periods of 10, 20 or 30 years to make determinations and bring such capability into service. I think it shows due caution and appropriate prudence to make sure that such a big decision is not taken lightly and that it's implemented in a very, very effective way. Yes, I can gain confidence from collective ability to accomplish that.

**Mr. Peter Tabuns:** First, I'll say it wasn't posed as a "gotcha" question; it was posed as, if you look at the reality of human history and you look at the span of time within which we're dealing with an extraordinarily toxic material, one that, when it exists in the form of ore, is not concentrated in the way that the radioactive material is in these fuel rods—

**Hon. George Smitherman:** The fuel rods, post-cool-down and at the point of storage, have substantially diminished, in the context of their concentration—very, very substantially, as you know.

**Mr. Peter Tabuns:** People still have to be shielded from them when they're handling them.

**Hon. George Smitherman:** This is part of the precautionary nature of such things, just as people are shielded from the risk of breaking their head open and are encouraged to wear a bicycle helmet. There are attendant risks, and depending upon the nature of the risk, we take steps to mitigate it. Nobody would be surprised, therefore, that associated with the handling of spent nuclear materials is an extraordinary array of cautions, as has been appropriate.

I have had the chance to be within a few feet of such material and to have been regulated in terms of whatever exposure I might have had to same. I feel very confident about our ability to do that, and like I mentioned, our track record here in the province of Ontario has given us some confidence about our ability to manage these things with all necessary caution—an abundance of caution—and all necessary prudence involved.

**Mr. Peter Tabuns:** So it seems fair, from your comments, to say that you feel that deep geological storage of radioactive waste will be safe over the long term, because even the Nuclear Waste Management Organization is not sure of long-term safety. In their 2005 final study of waste storage options, they stated that "advance 'proof' that" deep geological disposal "works is not scientifically possible because performance is required over thousands of years." They don't know if it's going to be safe. It's a crashshoot.

**Hon. George Smitherman:** I think, with respect, if you want to put them on your stand, on trial, you should do that, because I do believe you've taken a comment substantially out of context, and I see that it's what you and your party leader are relying upon.

The commentary that's there is that this is really the nature of the "gotcha" question. Of course it's very, very

difficult—how could you imagine finding an expert in science of any form who was able to sit on a stand and offer categorical, 100%, unequivocal confirmation of something taking place over that period of time? So I think that's the nature of the question in and of itself. It's designed to get the answer that you want.

My opinion is that, based on the track record that we have of handling spent nuclear materials, with all of the prudence around finding appropriate sites both from a community standpoint and from a geological standpoint, with all of the time that is expected to be taken to do that right, it can be accomplished. I don't think that those 15 or 20 words that you read live up to the billing that you gave them at the front end.

**Mr. Peter Tabuns:** In fact, when I ask you this question, it's because you're the person in authority who is making decisions about the generation of some of the most toxic material—not "some of"—the most toxic material that humanity has ever generated, and you are going to leave a legacy for hundreds, if not thousands, of generations of profoundly toxic material, which no one at this point could conclusively say can be contained safely over a long period. So when I ask you, I ask you because you're in a position of authority. You are driving forward investments in energy whose consequences will be felt by many, many generations. We will get all the benefit. No question—we get all kinds of benefits: the job creation, the electricity now. But for thousands of years, if in fact this plan doesn't work well, there will be generations who will have to deal with toxic material from which they gain no benefit but very long-term negative consequences. And that's why I ask you. It's not a question of "gotcha"; it's a question of, are you assessing this in a way that, frankly, we've tried to assess the climate change issue?

If you look at climate change, we have been pumping carbon dioxide into the atmosphere. The generations that come after us are going to suffer the consequences of that. We got all the benefit from very comfortable lifestyles. You're in a position of authority. You're making a decision that will impact for thousands of years, and frankly, you've got a situation where you need to make a decision that doesn't leave our descendants with a toxic legacy, and that's where you're going right now.

**Hon. George Smitherman:** This is not a question; this is just part of a speech. If you have a question, I'd be happy to try and answer it.

**Mr. Peter Tabuns:** Why don't you live up to your authority and responsibility and protect future generations?

**Hon. George Smitherman:** I think that the range of the questions with respect to the storage of nuclear materials has been well addressed so far. I'm very satisfied that a process that is designed to take stock of communities' views and to take the time necessary to take stock of all appropriate knowledge around technology, containment and geological formation can arrive at a very, very good decision. I know that from our 40-year history in the province of Ontario, we have spent fuel. It's quite well



contained at present and it lends me very good confidence about abilities to do so going forward. I accept the point that that's not your view, but nevertheless, we have had here in the province of Ontario a very long record of utilization of this form of electricity generation. We've also had a more current debate, one that included the people of the province of Ontario, and there's very strong support for nuclear energy.

I think the other thing that's quite noteworthy is that the places in the province of Ontario where you would find the highest degree of support for nuclear energy are the places where it's actually produced. I think that also stands as a very strong recognition on the part of those people. You may suggest, as you kind of just did a second ago, "Well, maybe they're putting economics ahead of their safety." But it has not been my experience that most communities are prepared to view circumstances like that. If we go to the Bruce, if we go to Clarington, these are places where nuclear power enjoys a very high proportion of support from local communities, and I think that's a very important commentary about the sense of safety that they associate with it.

It obviously has to be treated very seriously, and no one is suggesting otherwise. That's why the Nuclear Waste Management Organization's processes, by their design—they are going to take a long time to arrive at the right decision and to do so in partnership with local communities.

**The Vice-Chair (Mr. Garfield Dunlop):** We're down to just a quick minute here, so if there's a quick question, Mr. Tabuns.

**Mr. Peter Tabuns:** Is a new nuclear plant at Nanticoke on the table?

**Hon. George Smitherman:** A new nuclear plant at Nanticoke is not, for me entirely, to take off the table. What I mean is, anyone can choose to initiate an environmental assessment for the purposes of siting a plant, and Bruce Power has chosen to do that, but without any investigation or arrangement with the government of Ontario with respect to purchase of power from said plant. A private entity has decided to undertake such a study. They see an economic opportunity associated with that, and it is within all of their rights and privileges as an entity to undertake that, but it is not the province of Ontario's initiative, and it's not the province of Ontario's intention to be involved in the encouragement or purchase of any power that might theoretically be created by such a facility.

**Mr. Peter Tabuns:** So you don't plan to buy any power from this plant?

**Hon. George Smitherman:** I just said that.

**Mr. Peter Tabuns:** I just wanted to confirm it.

**The Vice-Chair (Mr. Garfield Dunlop):** Ladies and gentlemen, that's been a very good, co-operative afternoon. If we could ask, Mr. Tabuns, maybe you could direct that one article you had—the clerk would like to have it and make copies of it.

**Mr. Peter Tabuns:** Yes.

**The Vice-Chair (Mr. Garfield Dunlop):** To everyone else, thank you so much this afternoon for attending, Minister Smitherman and the staff at the ministry. We will adjourn the meeting now and we will reconvene on Tuesday morning, June 2 at 9 a.m.

*The committee adjourned at 1754.*







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## Legislative Assembly of Ontario

First Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 2 June 2009

# Journal des débats (Hansard)

Mardi 2 juin 2009

## Standing Committee on Estimates

Ministry of Energy  
and Infrastructure

## Comité permanent des budgets des dépenses

Ministère de l'Énergie et de  
l'Infrastructure

Chair: Tim Hudak  
Clerk: Sylwia Przedziecki

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

Tuesday 2 June 2009

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Mardi 2 juin 2009

*The committee met at 0903 in room 151.*MINISTRY OF ENERGY AND  
INFRASTRUCTURE

**The Chair (Mr. Tim Hudak):** Good morning, folks. Minister, welcome back to the Standing Committee on Estimates; good to see you again. Folks, good to see everybody and welcome back to the estimates of the Ministry of Energy and Infrastructure.

Just by way of update, we have five hours and 35 minutes remaining. During the last committee meeting, there was all-member consent to change the rotation for the first round of questioning to allow the official opposition to take the last 20-minute segment, following the third party and government. When the committee had adjourned last time, Mr. Tabuns, I believe the third party had finished their 20-minute segment, meaning we'll begin today with 20 minutes from the government members, followed by 20 minutes from the official opposition. Then we will resume normal rotation; that means the official opposition will have another 20-segment, then to the third party, then to the government. Is that understood? Minister?

**Hon. George Smitherman:** I just wanted to mention that there were a number of questions that we indicated we would get back to you on and provide some materials. We're working through some of them still, but I think we've already provided some of that information to the clerk. That will be distributed to members of the committee.

**The Chair (Mr. Tim Hudak):** Outstanding, Minister.

**Hon. George Smitherman:** We'll keep track of our homework and continue to feed that in as we're able.

**The Chair (Mr. Tim Hudak):** Perfect; an informed committee is a happy committee, so I appreciate that as Chair. Deputy, good to see you back again as well.

**Mr. Saâd Rafi:** Thank you.

**The Chair (Mr. Tim Hudak):** We'll go to the government for their 20-minute segment. Mr. Naqvi.

**Mr. Yasir Naqvi:** Thank you very much, Mr. Chair. Good morning, Minister. Good morning, Deputy. Thank you for coming back. I'm going to start this morning with my favourite topic, and that is the Green Energy Act. It's an exciting piece of legislation which, in my view, is revolutionizing the way we do business in terms of green energy in the province. Perhaps, Minister, you can start

by telling us how the act will stimulate the economy in Ontario and how it sets us up to be a green energy leader in North America.

**Hon. George Smitherman:** I think what I would say is, in a certain sense we've gained momentum on green energy, and credibility as well, by the early moves that we've made, through 2004 and afterwards, with products like our renewable standard offer program. That has resulted in about 1,000 megawatts, so far, of installed wind capacity, as an example, which represents private sector investment to the tune of between \$2.5 billion and \$3 billion. It gives us a bit of a glimpse of what is possible.

So what we've sought to do, with the language that I've used, is raise the bar on our expectations or our ambitions here in Ontario by making it easier to bring renewable energy projects to life and by, certainly, also trying to encourage microgeneration; not just seeing green or renewable energy as something that people in remote and rural Ontario could be involved in, but something that your constituents and mine, with their ample rooftops, might also look at, as an example, for opportunities to parlay that into microgeneration, which has many benefits—economic, environmental—in terms of reliability of our system overall.

We anticipate that the Green Energy Act will spark substantial additional investment. That, in and of itself, will create jobs in architectural areas, in engineering and in planning. It will certainly create employment related to installation.

What we're working hard for, and what the Green Energy Act enables, is the establishment of domestic content rules that will ensure that a greater percentage of the product that is actually installed in the province of Ontario can trace its roots to our jurisdiction. So we see jobs all across the landscape, but we're certainly focusing a substantial part of our attention on trying to take advantage of the skill set of Ontarians, with respect to manufacturing more of this product.

We've predicted, and I think some of the information is being provided to the committee, that economic forecasting shows that over the course of the first three years, we anticipate an incremental investment of more than \$5 billion from the rate base that we anticipate will help to leverage 50,000 additional jobs in the province of Ontario.

**Mr. Yasir Naqvi:** You mentioned "microgeneration." That term is known to some and not known to many.

Coming from, similar to you, a very downtown, urban riding, I find that phenomenon very exciting in terms of small, community-based projects to generate renewable energy.

Can you give a little bit more detail as to what you mean by “microgeneration” and how the act facilitates that type of behaviour and what communities like yours and mine need to do to make it happen under the act?

**Hon. George Smitherman:** Sure. Another way to refer to microgeneration—some people would call that “distributed generation.” The principle of it is pretty simple. Instead of just relying on a small number of really large plants to produce huge quantum of electricity, what we’re seeking to do is create thousands, and I would say ideally hundreds of thousands, of points of generation.

The benefits of it are the following: First, it’s an economic opportunity for some folks who are going to be motivated by the opportunity to make some investment on their rooftop to bring life to it in a way, as an example, that will pay itself off over time and produce some revenue. It is obviously about enhancing our capacity to take advantage of Mother Nature’s many gifts. Small-scale solar on rooftops in urban environments is going to be one of those extraordinary opportunities, I’m quite certain.

I think, in terms of what it does for the overall system is maybe where it gets most exciting. We know that, as an example, Toronto is growing, and over time, its electricity demands had been under some pressure. Until we opened the new Portlands Energy Centre, Toronto wasn’t producing any electricity within Toronto’s borders. But if we look to the opportunities for a distributed generation model, we can actually help to offset the otherwise necessary investments in transmission.

So if you think about reliability, which I mentioned when I was before the committee the other day, as kind of like the number one watchword for any energy minister, we have here the opportunity to create a more reliable system by having power generation spread out to thousands and thousands of points rather than just a few, and in so doing, to involve individual community members, clusters of communities, co-operative models—a wide variety of economic models that could see these kinds of projects coming to life.

I think it’s very important that urban constituents also have a chance to be involved in the promotion of cleaner, greener renewable energy. What we’ve sought to do in the alignment—so in the legislation in and of itself, as an example, a rooftop solar faces practically as of right within the law. The municipal involvement in permitting etc. is very minimal. That’s one way that we’ve tried to allow these projects to come further, faster.

In addition to that, the feed-in tariff model that the Ontario Power Authority is developing and that they’ve widely publicized offers a very, very good premium, especially for that really small-scale solar, say under 220 square feet, which is a fairly small space overall. We offer a very enthusiastic price that should encourage

many people to look for the opportunity to participate in this new green economy.

**0910**

**Mr. Yasir Naqvi:** Would you have any idea, if you’re looking at 200 square feet as the type of model, with the feed-in tariff, what rate of return we’re talking about? How long would it take somebody to—

**Hon. George Smitherman:** It’s 80.6. The price on that really small-scale one, which is I think—is it up to 10 kilowatts or three kilowatts? I’m not sure—is 80.6 cents. It’s a very, very high price for sure. Of course, the scale of it means that the overall quantum of electricity produced are relatively limited.

I think what’s most crucial about having more solar in your supply mix is this: Today is June 2, and it’s not very warm outside. I think we’re only going to have a high here in Toronto of 19 degrees. We don’t really plan an energy system so much around today; it’s not a stressful day to meet the electricity needs. But it could just as easily be 33 degrees and humid today. In those circumstances, the electricity system comes under a lot more pressure. If you imagine, on the hottest, sunniest days, that is our greatest pressure, these are also the days when solar is going to be most productive. So it really does align well with the most challenging times of supply that we can experience, and that’s why we’ve worked to try and encourage more people to be involved in that small-scale solar generation.

**Mr. Yasir Naqvi:** Keeping on the same thing about microgeneration and again focusing more on urban communities like yours and mine, can you highlight to us the interface between municipal governments and the Planning Act? How would that whole aspect work out when we’re looking at microgeneration in urban neighbourhoods?

**Hon. George Smitherman:** We’ve really substantially clarified the obligations that project proponents would have in bringing forward projects. When we think about solar and geothermal as examples, these are so benign. Geothermal is drilling some holes, not even noticeable really, and solar is obviously very, very well integrated into the rooflines of buildings. We have developed pretty much an as-of-right process that allows those to move forward.

What we saw, with respect, on the Planning Act, when we evaluated what decisions municipalities had been making, as an example, on the issue of setbacks from homes, we really noticed that across the province of Ontario municipalities were landing in very different places, and we were creating a patchwork quilt where in one place it might be 300 metres from a home that a wind turbine could be situated, and in other cases the number was higher by a factor of 20%, 30% or 40%.

We think, just as we did with the Smoke-Free Ontario Act, that it’s very important, rather than having a patchwork of laws across the province, that you have one standard that is universal and is established by the Ministry of the Environment with the best-known science applied with respect to the protection of the natural



environment and also human health. So we feel like the model that we're moving forward on uploads the responsibilities the municipalities had, because they were grappling with it—many times very small municipalities—and landing in different spots. We think that it's important to apply the best science and to have a strong universal standard across the province. So those Planning Act responsibilities in a sense have been uploaded to the province of Ontario, but we will give guidance around what's appropriate.

Another example would be solar in a rural context. We think it's critically important that we—Ontario is a big spot, and the sun is relatively consistent across Ontario, and some places in northern Ontario actually enjoy a greater intensity of sun. So what we know for sure is that Ontario is a big enough place that ground-mounted solar, which can cover acres and acres, should only take place in the circumstance where it's on land that is not the highest calibre of land. So we're going to work with OMAFRA and the Ontario Federation of Agriculture, as an example, to establish rules that say, "Solar, yes, but not on these classes of agricultural land," to make sure that the prominence of agricultural land is not lost in the balance.

**Mr. Yasir Naqvi:** Maybe this is because I don't understand the term "feed-in tariff." Perhaps you can explain to us what "feed-in tariff" means and how that mechanism works.

**Hon. George Smitherman:** A feed-in tariff really is just language adopted from Europe, where the model is extraordinarily well known.

What it is is two things in combination: It's a price schedule that is established by class and size of electrical generation, and it is based on the offering of a 20-year contract. So it's got the combination of security of price and certainty of length of contract offering, which assists people in being able to take that contract to the bank and leverage the necessary capital to bring projects forward.

The Ontario Power Authority is responsible for developing this model. Right now, I could quickly tell you, it's got a rooftop or ground-mounted solar in about four or five different size categories. It has got onshore wind. It's got a feed-in tariff for offshore wind, for water power of different sizes, for biomass of different sizes, for bio-gas of different sizes and for landfill gas of different sizes.

As new technologies come to the fore, it's kind of a scaleable product that allows for expansion into other technologies. A small example would be, there's a lot of interest in small-scale wind where for, say, \$3,000, \$4,000 or perhaps \$5,000 a homeowner could have a very, very light, small wind turbine—not a vision on a great big pole, but like a rooftop-mounted one as an example—that might meet 30%, 35% or even 40% of their electricity needs. Just using that as an example, if we wished to establish a feed-in tariff, we could establish it for small-scale wind as well.

So the point that I'm trying to make is, as new technologies come to the fore, the list is scaleable, and we

can use it to incent further economic activity, should we wish.

**Mr. Yasir Naqvi:** One quick last question before I pass it on to MPP Levac: When do you expect to start accepting applications under this program?

**Hon. George Smitherman:** Well, we are working very, very vigorously. The Ontario Power Authority has already put out very much information. We've also been working with the Ministry of the Environment around some of the rules that are necessary as companions. But we're really looking to launching these various complementary products in a July-August time frame. Everybody has been working on an expedited basis because there's a lot of interest and a lot of people who want to get going on things.

**Mr. Yasir Naqvi:** In 2009?

**Hon. George Smitherman:** Yes, sir: This summer.

**Mr. Yasir Naqvi:** Thank you very much. MPP Levac?

**The Chair (Mr. Tim Hudak):** Mr. Levac?

**Mr. Dave Levac:** Thank you, Yasir. I appreciate this opportunity.

Minister, thanks for being here today—

**The Chair (Mr. Tim Hudak):** So five and a half.

**Mr. Dave Levac:** Five minutes? Thank you very much.

**Hon. George Smitherman:** One question.

**Mr. Dave Levac:** It's one question, and then you can just take it from there and run her out.

I have a keen interest in partnership and partnering with First Nations, and under the circumstances that we're presently faced with, there seems to be an opportunity in my riding to form a native/non-native working relationship with a proposal that I know you're aware of; I've spoken to you about this. I'd like to have you make some comment on the possibility of a First Nations energy project that would be using gas as power generation within the vicinity of Nanticoke, the idea that has been gleaned from the Haudenosaunee. In support, both elected council and Haudenosaunee clan mothers are aware of this and supportive. The community has been polled, and a huge majority of people are in favour of presenting this as an option to the government of Ontario, which includes transmission line improvements and working with the government on possibly new transmission lines.

0920

I'm wondering if you could comment on that, with the understanding that this could also form a relationship that we've not seen in a while and provide us with opportunities for First Nations to provide their own energy and be self-sufficient, probably within 15, 20 years. So if you could comment on that?

**Hon. George Smitherman:** Sure. Thank you. There's quite a bit there.

First, I'd just like to touch on our overall approach with respect to First Nations. A lot of that is framed in the context of the Green Energy Act, but I'll speak more

particularly about the opportunity that you're mentioning, related to gas-fired generation.

What we really noticed is that there's a tremendous array of First Nations communities that already have expertise related to energy, and that it does look to many First Nations communities like the very best prospect they have for economic and social advancement in their communities. We're really, really keen to see more of these projects come to life, and in the context of the Green Energy Act, we actually take steps that will incent more of a partnership model, giving First Nations an ownership stake in such projects.

As a matter of principle—because you've applied some similarity in principle to this discussion going on in your riding—let me say this, first and foremost, about the role of natural gas in our energy supply mix: What we're seeking to do—our baseload supply is nuclear and water. They're not particularly manoeuvrable supplies. They're baseload and they're available to us in plenty. Last year in Ontario, 75% of our electricity needs were met this way.

On top of that, we layer opportunities for enhanced renewable energy. We recognize, of course, that associated with renewable energy like wind and solar is intermittency. They're very beneficial. We should take full advantage of them, but they're not necessarily consistently available. So it's necessary to have a fuel, like natural gas, which we can use for peaking purposes or with the attribute of dispatchability, which allows us to order it up on an as-required basis. So we're certainly looking to have gas elevated to the role, in our energy supply mix, of being used only as required, but for the purposes of delivering on reliability.

Obviously, the area that you're speaking of offers many attributes, especially, as an example, the transmission capacity that already exists. We do have some issues, obviously, where we were working on the reinforcement of some transmission lines. That's been disrupted. We're very anxious to get that stabilization project completed. But we also want to look for the opportunities to make sure that all of the wires that run from that area, that will no longer be involved because of the elimination of coal from our energy supply mix, do present some opportunities in that area. We also note that the county and municipal leaders have been calling for kind of an energy hub concept to emerge.

So for all of these reasons, we're looking very carefully at the proposals that have come from there, and working with our energy plan, or the Ontario Power Authority, to give us some advice on whether this model might actually fit well in the grand scheme of our energy supply mix needs in the province of Ontario. We'll look forward to carrying out more of those conversations with you and with interested members of the local community.

We think there is a big economic opportunity down there, and maybe we can all come up with a collective solution that will also address some of the economic challenges in the area.

**Mr. Dave Levac:** Thank you very much, Mr. Chairman.

**The Chair (Mr. Tim Hudak):** That does conclude the time. Thank you, Mr. Levac, Mr. Naqvi. The official opposition: You'll have two 20-minute segments consecutively, Mr. Dunlop.

**Mr. Garfield Dunlop:** Okay. Welcome, Minister, again. It's interesting: The government members used all my questions.

**Mr. Dave Levac:** We ask them nicely.

**Mr. Garfield Dunlop:** Thank you.

Minister, a year ago, when the Minister of Aboriginal Affairs was here—at that time, it was Minister Bryant—I had a discussion with him on Casino Rama and the contract that is due, coming up for 2011. I just want to emphasize it again. By the way, all my questions today are sort of Simcoe county-related, okay?

**Hon. George Smitherman:** Yes, good.

**Mr. Garfield Dunlop:** I know there are ongoing negotiations on Casino Rama, but the reality is, this is the most profitable gaming casino in our country. It's the largest employer of First Nations in our country. Not only the people of the First Nations, but employees of the casino and the communities around the casino are interested in when we might see some kind of announcement that would indicate that there will be a long-term future of the casino at its current location, at Casino Rama. Can you comment on that at all today?

**Hon. George Smitherman:** Yes. I don't have the date top of mind; if I get it too far off, you can correct me or someone else will. I think our contract is due for renewal by 2011. I would characterize the nature of the negotiations and discussions as extremely positive. The government holds the view that we should be looking to extend the relationship at that casino site. It has been a very successful one, as you've mentioned. We know that it has been positive for the First Nations community. We want to look, in our growth plan context, at whether the adjacent Ramara township might be given some opportunity to benefit a little bit more from the economic opportunities and all the traffic that's generated and which principally rolls through their community. For all of these reasons, I would want to give you, as the local member, a strong, strong indication from the government's viewpoint that the negotiations are going very well. They're headed in a direction towards the long-term renewal of Casino Rama for the purposes of providing this resort casino experience.

You have a local sense of pride, I think, around the way that facility is operating, and we certainly view it as a real gem and one that we should look to extend. That's the nature of the discussions that are ongoing. I don't know when we might conclude those, but we're in good shape, given the timelines, for sure.

**Mr. Garfield Dunlop:** I appreciate that. I just wanted to emphasize that it's not only the aboriginals from the Chippewas of Rama who work there. We draw in a lot of people from the Beausoleil First Nation as well as Georgina Island's aboriginals, and other aboriginals from Muskoka etc. are employed there. So it has been very, very positive in that way.



I'm happy to hear you mention some discussion around the township of Ramara. They've always felt that they were left out of the original agreement and that they should have had something because some of the other municipalities, Niagara, Windsor, sort of the host municipality—although the argument has always been that the First Nation was the host jurisdiction. If we can work with that at all, it would be nice to see some kind of assistance come to the township of Ramara.

The next question is around Georgian Downs and the racing dates. I think it's fairly clear, when we look at the slot machines at racetracks, that the original intent when they were allowed to go into racetracks was that it would enhance agriculture. What I'm hearing from harness racers is that, particularly here at Georgian Downs, they were shut out of harness racing this winter for January and February although the slot machines remained open.

Now we have a huge expansion going on at Georgian Downs. Apparently by the end of the year, we'll have close to 1,050 slot machines at the Downs. We're curious to see if we can, through your office or through the ministry, push the commission a little more strongly and even the facility itself to include more racing dates. It seems that if you double or almost triple the number of slot machines, you should at least double or come close to having more racing dates for the horse harness people. The reason I say that is because when they were shut down for January and February, the horses still had to be fed, they still had to be trained. They're like athletes: They continue on. It was very, very difficult this winter when those racing dates were shut down. I'd just appreciate any comments you could offer on that.

**Hon. George Smitherman:** Thank you. A couple of—

**Mr. Garfield Dunlop:** I appreciate you have a large ministry and that there are a lot of things to cover here.

**Hon. George Smitherman:** No, no, no. I've got a lot of opinions. I've got a lot of information.

**Mr. Garfield Dunlop:** We know that.

**Hon. George Smitherman:** There was one number in particular that I wanted to be able to speak to you about that wasn't top of mind.

Firstly, I would say, just from the standpoint of your question, that I have a slightly different take on it insofar as all of the questions about race dates were linked to the issue of slot machines. I think that the horsemen need to look at their industry, their sport, whatever you want to refer to it as, and ask harder questions of themselves about wagering and fans. So I get the point that the slots have created a stream of revenue and the horsemen want to get as much of that revenue as possible. But I think what's incredibly important, when we look at the issue of harness racing, is, what efforts can we make to improve the quality of the product on-track and try and create a greater buzz, if you will, around the entertainment, to try and get a few more fans back?

0930

After I got this job last year in the summer, I was just on my own but I dropped in on five or six different

tracks, especially some of the smaller ones in rural Ontario. Even on a Saturday afternoon I've had more people, when I was seven years old, at my hockey games than were there on those days in the stands. I also remember days when I used to go with my dad, back when there would have been thousands of people there. I get that entertainment product evolves, but as relates to this sector I always ask myself, "What steps are we taking to try and make this more appealing, so that they can make sure the product on the track is of a calibre that's actually incenting more people to come and operate?" Of course, I'm not going to give direction to the Ontario Racing Commission in that sense. They have an obligation to measure many things in determining the appropriate race date calendar.

I think I could just give the number that I was looking for. In 2009-10, we anticipate about \$349 million will be provided to economic growth in the horse racing industry. Since 1998, its total is about \$2.6 billion, and those numbers have remained quite good. I think also that if we look at the numbers with respect to race dates, there's not so much variance year to year in terms of the number of race dates that we are offering.

I know that Georgian—there have been some issues and some levels of confrontation there. There's been a bit of a different approach, if I could characterize it that way, between the horsemen and the track. I could endeavour to look into it a bit more carefully to see whether there's something particular at Georgian that would warrant a look at those race date issues. That would be about the extent of my knowledge of what's happening there at present.

**Mr. Garfield Dunlop:** There are a lot of harness racers in our ridings—Dufferin, Grey, Simcoe county—and they come to us quite frequently with these kinds of concerns. They wonder why you can almost triple the number of slot machines and yet reduce the number of racing dates. So that's become a bit of an issue and we continue on with it.

I was going to move over to a question, and I appreciate your comments on it—

**Hon. George Smitherman:** Could I make just one small comment? I think this has come up, actually—the chairs had comments on this, I believe, in the context of Fort Erie. Some people have made comments about this in the context of Belleville.

At some points we end up in a circumstance where there's either a threat that we wouldn't have racing any longer or where racing hasn't yet emerged. That would be, in the first case, Fort Erie, and in the second case, Belleville. But I think it's important to note that even as the slots are operating, absent those other functions, the portion of those revenues generated by the slots which is designed for racing is still appropriately set aside for those purposes. I know that's been a question that has come up in a few different environments and I thought I might offer that to the member.

**Mr. Garfield Dunlop:** Thank you. Something that you've been involved in in the past as Minister of Health,

and it's been quite positive, has been the redevelopment of the Oak Ridges Penetanguishene Mental Health Centre. Let me point out that it's going along very well with the planning stages etc.; I'm not concerned at all about that. I was curious: Does the money for the infrastructure of the redevelopment come from your ministry or is that part of the Ministry of Health budget?

**Hon. George Smitherman:** Our ministry provides the role of helping to coordinate the allocation of capital resource across ministries, but almost always the dollars to pay for the actual project are embedded in the capital budget of that ministry. This year in our estimates, there would be one small departure from that: Because of the stimulus funds, we've kind of, if I could use the expression, parked those in our ministry's budget. But as decisions are made on them in terms of allocation, there is then a transfer over to the responsible ministry's budget. If you look at our ministries' budgets overall, they're quite modest in the grand scheme of things, but our coordinating function does cover the broad spectrum of infrastructure. With respect to the project, when we want to move that from the planning phase into the development phase, we would work with the Ministry of Health, which we think of like our client, to assist them in prioritizing the multitude of projects that are available to them, and then work with the Ministry of Finance to find the appropriate allocation in the ministry's budget to pay for the actual project.

**Mr. Garfield Dunlop:** In your discussions with the ministry or your colleagues, have you seen anything that would derail that project in any way? Does it appear to be going along? Are you happy with the way the project is going along?

**Hon. George Smitherman:** I wouldn't use the word "derail." What I would make comment on—and I think most members here know this—is that we've put a lot of money into building new hospitals. We've seen some of the evidence of that with the great project in Orillia, as an example, we know there's a lot of activity right now in Barrie, and I could mention a whole ream of others, but there's still quite a lengthy list of communities looking for hospital projects. Having said that, anybody who's visited that Oak Ridges facility, and I have visited it, would be acutely aware of the necessity of continuing to move that capital project forward apace. It's obviously a crucial economic lifeline in the community, but more to the point, I think we owe a substantial obligation to the people who are being served in that facility and the people who are working in that facility to bring that into a more modern age.

**Mr. Garfield Dunlop:** Have I got a couple of minutes?

**The Chair (Mr. Tim Hudak):** Yes, you still have about six minutes left in this first segment.

**Mr. Garfield Dunlop:** I was happy to hear comments about solar panels and solar farms. A caution, and this is just from my background in construction: You want to make sure, before you start putting a lot of rooftop units in, that they have a really superior roof to go with it. The

one thing you won't want to do is to put a whole bunch of solar panels on a factory and then find out that you need a new roof a year later. I just want to put that on the record because I've been thinking about that, because everybody's talking about us lining the roofs of factories with solar panels. It makes sense, but you want to make sure you have a really good roof underneath it.

Second of all, you've heard about this in the House a couple of times, but we have this large farm in Oro-Medonte township. There's a company, which I believe is called Helios or something like that, that is planning a proposed solar farm on this 268-acre farm. It's creating quite a bit of controversy because it's one of the best farms as far as earth quality—class 1, 2, 3 farmland—in that region. Will that be something that would end at your desk, Minister, or will that now become the responsibility of the municipality? You mentioned working with the OFA and the local federations. Can this company apply now and expect to have approval, or is it something that there would be a remote chance of? I'm just wondering what the chances are of having this happen.

**Hon. George Smitherman:** Let me talk about it in two contexts. I think I might know the project that you're speaking about but I'm not sure, and I don't want to make any missteps. It may be possible that some solar projects which have long been known of and have already been making their way through the process could move forward in a circumstance where they are on a higher class of agricultural land, but on a go-forward basis in the context of the Green Energy Act, there will be a regulation established that will clearly indicate which classes of agricultural land are not appropriate for the construction of solar projects. That would mean that they would not be able to get a contract for such a project. We will establish that by regulation in partnership with OMAFRA. For certain, it will not be class 1, 2 or 3.

**0940**

So I say clearly, it is possible that in a few places in Ontario, there could be some of those projects moving forward because they're already in the pipeline. I dare say some of those solar projects which have moved forward in Ontario probably are on those classes of land. There haven't been very many, but in a few cases that may have occurred. But on a go-forward basis, with the Green Energy Act as the foundation, and the new feed-in tariff, there will not be large-scale solar development on class 1, 2 or 3 farmland. I say "at least"; we'll work with the ministry, with OMAFRA, to determine if that's the right approach or whether it needs to go further. And the OFA, as I mentioned, also has some well-formed views on this issue.

We think there's enough of Ontario out there to accommodate solar, but in a fashion that doesn't create competition with good-quality agricultural land.

**Mr. Garfield Dunlop:** I wanted to stress the fact that they've had a couple of meetings that I've been asked to go to, and I'm quite sure that it's not NIMBY here: They agree with solar farms and solar generation on more scrubby types of lands.



The other question, so the final question—

**Hon. George Smitherman:** I know there's none of that in the member's area.

**Mr. Garfield Dunlop:** Particularly in Ramara, where there are thousands of acres of this much soil over top of limestone—thousands and thousands of acres: That's what they're thinking of. That's the same area you talked about for getting some funding, maybe, for the casino.

**Hon. George Smitherman:** What I was talking about, just with respect to Ramara, was not so much a funding stream but actually that Ramara might have a little bit of an opportunity to do some commercial development, because none of their land had been zoned in a way that allowed them to take any advantage of all the activity that's created there. That's a conversation that I had with the mayor and also with the warden and CAO of Simcoe county recently.

**Mr. Garfield Dunlop:** Okay, that's fine at this time.

**The Chair (Mr. Tim Hudak):** Okay, terrific. We still have a minute left in the first 20-minute segment, followed by another 20 minutes by the official opposition, so we'll just continue. Mr. Yakabuski.

**Mr. John Yakabuski:** Very good. Thank you very much, Minister. Maybe we can kind of pick up where we left off on Wednesday, when Mr. Arnott took over. We were talking about the Niagara tunnel.

Do we have a mic working here?

**The Chair (Mr. Tim Hudak):** Yes—like you need one.

**Mr. John Yakabuski:** We wouldn't want for someone not to hear us. Oh, I see; we were on both here. Okay, we're on a kind of stereo: I'm on two mics.

We were talking about the Niagara tunnel, and where we last left off was somewhere around—it was your position that the geology of the Niagara area there, the gorge, was basically provided by OPG to Strabag when they made the bid, and the geology is off. Can you briefly tell me where we're off? Because the geology of that gorge is—I've got a chart here from 1977 that tells you, like, at flood level, you're going to reach what kind of rock formations. These are the strata of Niagara gorge. Can you tell me what part we were wrong on?

**Hon. George Smitherman:** No. The deputy might be able to offer a little bit more information.

At the heart of it, what we were off on was the calculation of the expectation of bedrock, and instead we ended up basically with shale. That has substantially affected the speed with which these projects can be completed.

**Mr. John Yakabuski:** What—

**Hon. George Smitherman:** Hold on one second, please. You have one thing there from 1977. There was a wide variety of studies. I don't know whether they all complemented one another or disagreed with one another, but for all of the geological assessment that had been done over several decades by Ontario Power Generation, it seems like they missed the mark.

**Mr. John Yakabuski:** Can we get a copy of the one that was relied on at the time the bids were made? Be-

cause each of the bidders, I presume, would have been given the same information. One bidder would not receive different information than the other, because obviously they're trying to bid on apples versus apples. Is it possible or could we receive—I make the request to receive—the geological analysis that was given to each of the bidders at the time that they were making a bid on this job to build the new tunnel?

**Hon. George Smitherman:** I think what we would seek to do for the honourable member, instead of just one piece of it, let's look to see what body of work is available in terms of the RFP documents or what have you that various proponents would have responded to.

**Mr. John Yakabuski:** Okay. But we do want to make—because your assertion the other day was that Strabag based their bid on information given to them by OPG—

**Hon. George Smitherman:** Yes, exactly.

**Mr. John Yakabuski:** Not what was widely available or what was out in the field; it was documentation provided by OPG.

**Hon. George Smitherman:** Yeah, sure, and I stand by that and the deputy can offer some additional information.

**Mr. Saïd Rafi:** If I might, just to elaborate a little bit, I think it's important context if I could just provide that for you. We are talking about approximately a 47-foot-diameter tunnel, 10.4 kilometres in length. That's one thing I think is important. I think the excavation is through what's called a full-face tunnel boring machine, so non-covered. My understanding is that it's not about the profile of the rock, which is what I think you're talking about, because over the years a lot of studies were done, many, many boring holes—in addition to that, something called an adit was undertaken, which is a sample tunnel, much smaller, but a sample tunnel to try to get a sense of the profile of that rock.

Ontario Power Generation has spent a great deal of effort and time with investigators, expert panel members, verifying the profile of the rock. However, when the tunnelling began, it was not the profile but it was something called overbreak, which is the behaviour of the rock during tunnelling. So in addition to what the minister has said in terms of differing rock conditions in that alignment, when the rock starts to shear through this boring machine, which I have a picture of here to give you an example of the size of that machine, it is—

**Mr. John Yakabuski:** That's not exactly to scale though, right?

**Mr. Saïd Rafi:** It is indeed to scale. It is exactly to scale.

**Mr. John Yakabuski:** I mean it's not life-sized.

**Mr. Saïd Rafi:** Well, this is not life-sized; of course not. But the scale, for this gentleman and this machine—it's a 47-foot diameter tunnelling machine. What happens is that the rock above here was breaking in a way that was clogging the machine and slowing down the machine. That is a function of, according to the geologists and the engineers—that is the behaviour of the rock,

not the profile of the rock. I don't know what you have, but I believe you have a profile of the rock.

It's not uncommon, I'm also told—and in my own experience in transportation—in any kind of tunnelling project to have the owner or the developer of the project take on the geotechnical risk. In this project, the geotechnical risk was transferred, to a degree, to bidders through a baseline geotechnical report. They are then required to take that report and assess it against their ability, with the machine they have, to undertake the project and make a price bid. Through the course of this project, that overbreak or the behaviour of that rock has caused the certain challenges that exist, on a tunnel that will have an asset life of approximately 90 to 100 years—so, obviously, got to get this right.

Other European examples have had greater and more significant failures. This is an approach that OPG has used that is prudent and that has been done through a great deal of research and something that—in tunnelling projects worldwide, I'm told by the engineers, it is virtually impossible to predict how a rock will shear at tunnelling or how it will behave, I guess, is the word that they have used. Hopefully, that's helpful background and context.

**Mr. John Yakabuski:** Well, it is, but it's not exactly what I'm hearing either, so I guess depending upon who's telling who. We've also heard from people who are involved in this business—you talk about the overbreak and that it couldn't be predicted, whose belief is that other forms of tunnelling would have dealt with this in a more efficient manner. This machine was built specifically for this job. It's a different kind of machine based on some other methods that have been used successfully in the past. That is what we're hearing. I'm not an engineer, so these are not my words. I have been invited by both the minister and OPG to have a look at this project. I hope to do that at some point after the House rises, but in the meantime this is when estimates is, so this is when we have the opportunity to ask the minister and yourself some questions.

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There's a contention that part of the problem is the method with which Strabag decided to attack this problem or deal with this bid. If that is the case—and I certainly can't answer that, and you may have a view on it that might differ from some other engineers. I don't know. You're not an engineer, I don't believe.

**Mr. Saād Rafi:** No, sir.

**Mr. John Yakabuski:** But you do have, at least, more access to the reporting than I have.

So if that is in fact the problem, then I guess the question that would be asked is, why is the public, the electricity customer—because I understand this would end up on the bill at some point; it's the only way we're going to end up dealing with it—the one who's going to pay these 600 and some million extra dollars, going to be the one who's expected to pay that bill as opposed to the bidder? I guess my thought process is that maybe there was some knowledge that this could be a problem, but if

you have a bid process that seems like, “Hey, don't worry about it. Put in your bid. If it goes over, we've got the biggest backup in the world: We just go the public to pick up the extra funds”—if that was the bidders' or the developers' responsibility, I think there might be a different situation.

I guess, to put the question: Why is all of the cost on this going back to the public?

**Hon. George Smitherman:** Well, I think two or three things need to be said. Firstly, in any environment, I suppose it's possible to quote anonymous competitors who weren't successful; they never have an axe to grind. People have been phoning you and saying, “Oh well, if only they'd have chosen our machine instead of this one.” I never count that as research, and that's kind of what's fuelling your assertion here.

There are two further things I want to say. Firstly, the company is not being kept whole in this exercise. That company, Strabag, which as best I can tell is an honourable and reputable company with a worldwide record, is substantially impacted economically from these circumstances. There was a risk-sharing piece to this, and they have shared a piece of risk for sure—

**Mr. John Yakabuski:** What is that risk? What is that share?

**Hon. George Smitherman:** Please, maybe I could answer my question before you ask another—

**Mr. John Yakabuski:** I forget, though, so I have to ask them right away.

**Hon. George Smitherman:** Well, then, I could loan you a pen.

**The Chair (Mr. Tim Hudak):** Okay, let's get back on track.

**Hon. George Smitherman:** I think that, in addition, it's very important to recognize responsibility where it lies.

You have in your hand some chart from 1977, which is one example of many, many engineering studies initiated over time by the proponent, Ontario Power Generation, and in its earlier forms, Ontario Hydro. As the proponent, they bear substantial obligation—and accordingly the rate base does, because it's a 100% owned entity of the people of the province of Ontario—and bear a proportionate responsibility for the engineering work upon which decisions were based.

**Mr. John Yakabuski:** A couple of things: your contention that if anonymous failed bidders want to raise the issue they're welcome to do so. Well, you know how it works, Minister. They're all in the business of possibly looking for work again in the future. They don't want to publicly challenge you, the government in general, or the developer, as in OPG, on the issue because we know that doesn't work out the best for them in the end sometimes. They're reluctant to do this publicly, but obviously there are some concerns about the choice of how they would go about this issue.

Now, on the specific question then, you said Strabag had a share in this risk. What we're hearing is that the cost is now going to be \$1.6 billion and OPG is paying



the difference from the \$985 million that was the original cost estimate. So what's Strabag's? Other than perhaps a minor dent to their reputation, where's the cost to them?

**Hon. George Smitherman:** I think it would behoove us, before we characterize what the implication is, to seek to get for the honourable member and committee any information that—

**Mr. John Yakubuski:** That's what I'm asking.

**Hon. George Smitherman:** Yes—any information that might be available in terms of the nature of the contract and the implication that it had for them in terms of their projected earnings and projected profits associated with such a project. So we'll ascertain to see what of that information can be made publicly available and report it back to all members of the committee.

I accept that there are competing visions about how to complete a project. I think that at the heart of it, those who made the decision to move forward with the best approach, based on a very substantial body of engineering evidence, reinforces the responsibility that proponent has in these circumstances, but it's not right to characterize it as only OPG having borne some of that burden. We'll do our best to get information on that basis.

In terms of the number that you continue to quote, I think it's important to recognize that this \$1.6-billion number that's quoted is an upper-end number. Only time will tell whether all of those resources are necessary to complete the project.

**Mr. John Yakubuski:** So it could go higher?

**Hon. George Smitherman:** No. I think that's the upper-end limit, but there's contingency built in associated with it.

**Mr. John Yakubuski:** We'll see.

**Hon. George Smitherman:** Yes, time will tell. We're going to be a few—

**Mr. John Yakubuski:** What is the new date now? Like 2012?

**Hon. George Smitherman:** Yeah, a few more years down the pike.

**Mr. John Yakubuski:** Is 2012 the expected finish date now?

**Hon. George Smitherman:** I don't have that date top of mind—2012 or 2013.

**Mr. John Yakubuski:** I guess the other question I have is that—and again, I'm relying on information provided by others, and I'm not sure if Mr. Rafi may have already addressed that in a way. The information I have is that this process, this method of drilling this tunnel, boring this tunnel with this new Big Becky machine, was a new type of process that does not have a long track record as opposed to other methods of boring subway tunnels, the Chunnel or other things. Can you comment on that? To my information, this was something that was a new way of doing things.

**Hon. George Smitherman:** I'm not sure what the source of that information is. Maybe when the honourable member has had a chance to visit for himself he can ask those questions of the people who have experi-

ence with this project and with others as well. I'm not familiar with that.

**Mr. John Yakubuski:** You see, I seem to even remember at the time when Dwight Duncan, who was the minister then—I was down in Niagara when they made the big announcement that they were proceeding with it. The Premier was there and Dwight Duncan. I believe they even mentioned then that this was a new process that was a revolutionary-type thing and this project was going to be so much better and more efficient and really earth-shaking because of the changes in the engineering that had been made.

**Hon. George Smitherman:** Well, what we're working on here now is faint recollection and the like. We'll ascertain to get information for the member about whether the technology was an evolutionary one or one that had a track record etc. I'll be happy to get some information—

**Mr. John Yakubuski:** And if it was, if that is the case, then I guess even more so I'd be asking the question.

**Hon. George Smitherman:** Well, let's find that out first rather than speculate further.

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**Mr. John Yakubuski:** I won't have a chance. I won't have that information before we're done in estimates. I'm pretty certain of that.

If that is the case, then it would beg the question even more so why OPG would bear, from what we see—at least the way it's reported in the newspapers—all or almost all of the risks in the project not falling within the budget and the timelines that were originally expected.

The project is there because it's supposed to increase the amount of power that's generated through the same facilities, but with that you can always attach a revenue value. I know Mr. Rafi has said that this has a 90-year lifespan, and none of us will be around to determine whether it lasts that long. I guess the question would be, how much revenue, in addition to the extra \$600 million at the upper end that, as you say, we could pay for this, will OPG lose as a result of the time delay in having this project online and providing additional terawatts of electricity versus the original timeline that was expected? Have we got an estimate for that?

**Hon. George Smitherman:** I think people probably could make up an estimate for that. But another way to think about it—

**Mr. John Yakubuski:** But they determine how much extra power they're going to get from it, don't they?

**The Chair (Mr. Tim Hudak):** Minister?

**Hon. George Smitherman:** I thought that the tradition here was to afford the person the courtesy to actually answer the question. There's a bit of a—

**Mr. John Yakubuski:** I apologize for interrupting.

**Hon. George Smitherman:** I'm trying to keep my answers quite brief.

Let me say to the honourable member that, firstly, the tunnel has a certain life. The life begins at the point that it's in service, and even if that in-service date is delayed, then you could view it, really, as deferred revenue.

I don't have those numbers. What I could tell the honourable member is that even with the cost increase, we project that the cost of electricity that would be generated through this facility will be in the range of seven cents, which I think the honourable member would agree is still a very, very good price, especially for such a clean, green form of electricity.

We can try to figure out a calculation of that in a missed-revenue context, but please keep in mind that any missed revenue will be made up for in future years. But we'll get you that.

**Mr. John Yakabuski:** We can speculate as to how we'll be generating electricity 90 years from now, but chances are we'll be generating it in different ways than we do today.

**Hon. George Smitherman:** I rather suspect we'll still be relying on Niagara Falls.

**Mr. John Yakabuski:** Well, I certainly hope so.

**The Chair (Mr. Tim Hudak):** I do apologize, Mr. Yakabuski. I'm going to have to stop you there. We don't have time for another question. We can put 30 seconds if you want to—

**Mr. John Yakabuski:** Okay. I don't have any more questions at this time on the tunnel. When we pick up this afternoon, we may be prepared to move on to something else.

**The Chair (Mr. Tim Hudak):** Terrific.

We'll now go to Mr. Tabuns. Folks, we will do the full 20-minute rotation, with Mr. Tabuns concluding at about 23 minutes after the hour.

Mr. Tabuns, you have the floor.

**Mr. Peter Tabuns:** Minister, the Green Energy Act—something that I've raised with you before, and I'd like some clarification: The act doesn't have a take-or-pay provision for power that will be generated by renewable power generators. This came up in an article written by Tyler Hamilton in April, talking about the concern in the power generating industry that if there was not take-or-pay, they could make a large-scale investment but not be assured that the product they make would be taken. Similarly, when the Green Energy Act Alliance made its presentation here at Queen's Park, it was made pretty clear by people from Denmark and California who dealt with a lot of renewable energy generation that take-or-pay was critical. Will you be putting take-or-pay into the system through regulation?

**Hon. George Smitherman:** The short answer is it's not required either in legislation or in regulation; it's through policy related to the contracts that the Ontario Power Authority would enter into with renewable energy providers. The OPA are currently consulting with people in the sector on an appropriate mechanism that would create the take-or-pay dynamic. The way that it's proposed to work is that in those instances where the IESO may say on a day-ahead forecasting, "We're going to have a surplus of supply, and accordingly, would you please not be in production?" this is relatively easier for wind than it is, as an example, for a run of river water. We are working with high expectations of achieving a

mechanism that people will be satisfied with. We have listened very carefully to the criticisms that have been there and the OPA is consulting with the sector at the moment. We anticipate that the feed-in tariff model will have contractual obligations on the OPA related to take-or-pay, and we're very, very hopeful that that model will be satisfactory to the project proponents.

**Mr. Peter Tabuns:** Can you tell us when that proposal will be made public so that we can assess it?

**Hon. George Smitherman:** I don't know. Certainly the Ontario Power Authority has been operating on the feed-in tariff in a very, very transparent way, with very regular postings and broad consultation. If that is not already part and parcel of such postings, we'll work with the OPA to make their proposals known.

I know that there's some dialogue going on. I must confess I don't know exactly with whom, but it's certainly our intention to arrive at a take-or-pay model.

**Mr. Peter Tabuns:** Fair enough. Can you tell us when we will see that model? Will it be over the summer?

**Hon. George Smitherman:** Imminently, because our expectations are that we'll have the full feed-in tariff program operational in the July-August context, so all of these matters are, of course, very timely.

**Mr. Peter Tabuns:** Okay. Thank you.

On another matter, smart meters: What's the expected revenue generation from the higher rates for power that will come from smart meters?

**Hon. George Smitherman:** Do you mean as a result of time-of-use pricing?

**Mr. Peter Tabuns:** Yes, as a result of time-of-use pricing.

**Hon. George Smitherman:** I don't think the model works that way. The Ontario Energy Board will establish, on a six-month rolling basis, the time-of-use pricing based on the quantum of costs that needs to be covered by said mechanisms. It's not motivated by revenue enhancements; it's an account, if you will, that is settled based on the obligations that must be met through those payments.

**Mr. Peter Tabuns:** I guess what I find odd is, okay, we've got an on-peak rate at 9.1 cents per kilowatt hour. Are you saying to me that the on-peak rate will vary every six months?

**Hon. George Smitherman:** Yes. And keep in mind that 60% of all of the hours in the week for everybody goes down in price.

**Mr. Peter Tabuns:** So you don't expect, in fact, an increase in revenue for sale of power from time-of-use rates?

**Hon. George Smitherman:** Not necessarily. It depends very much on the behaviours of individuals. In those places where we've had the pilots—I think I had a chance to talk about that before, those three places—the experience overall has been that those folks who made some behavioural adjustment saw some very modest reduction in the amount that they paid overall. It really depends on the way the consumer decides to respond to it.

**Mr. Peter Tabuns:** Are you expecting that most consumers will change and reduce their consumption in peak



periods? Or are you expecting that a small percentage of consumers will change their behaviour?

**Hon. George Smitherman:** I can't perfectly predict it, but the way that the model works is that the Ontario Energy Board, on a six-month basis, would take a look at whether the quantum of revenue generated was sufficient to meet the bills associated with the generation of said electricity. But of course we're very, very hopeful that people will use this as an opportunity to shift load wherever possible, and we'll certainly be working with local distribution companies and with advertising vehicles from the government of Ontario to encourage just that—some of those you may have already seen starting to run.

**Mr. Peter Tabuns:** What I guess I find of concern is that you're going to spend somewhere between \$360 million to \$500 million, all in, on the meters and the metering system capital. If that's the case, shouldn't you know what revenue you're going to generate and what you're going to get out of it?

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**Hon. George Smitherman:** The smart meters pay their own way. What we're seeking to get out of the investment in smart meters is the capacity to have a more sophisticated use of the commodity of electricity, and to have the foundation that allows people's homes to become smarter so that they can install devices, as an example, which would allow them to channel up or down electrical devices in their homes and the like from off-site. The smart meter is a foundation that makes the commodity of electricity and its use more sophisticated. But remember, it has its own revenue capture associated with those costs. And it might not be in my interest, but I could say to the honourable member that I think the cost is higher than the one that he quoted.

**Mr. Peter Tabuns:** Can you tell me what the total—

**Hon. George Smitherman:** Yes, it begs that question, doesn't it? We'll get you some information.

**Mr. Peter Tabuns:** Well, we had an answer from you in the last round. When I couldn't speak, I gave you the written questions and you responded. The answer then, for approximately two thirds of the province's customers having had them installed, was about \$360 million.

**Hon. George Smitherman:** I guess it's the two thirds, because it's the additional one third I'm thinking about.

**Mr. Peter Tabuns:** Right, and then there's the cost for the metering entity: \$85 million. So it's somewhere in the range of, let's say, \$500 million, \$600 million of capital, setting aside operating. And the number you gave me at our last session for total savings was around 100 megawatts.

**Hon. George Smitherman:** That's one of those questions that we're working to get an answer—that was my top-of-mind recall. We're working to get you—

**Mr. Peter Tabuns:** Okay. I'll discount that number, then.

**Hon. George Smitherman:** Please do so.

**Mr. Peter Tabuns:** I would appreciate knowing what you expect will be the reduction in consumption for a half-billion-dollar investment.

**Hon. George Smitherman:** You can continue to align it in your mind that way, if you want to, but I think that the intention of your question gives rise to the—I think you're giving short shrift to what the smart meter is all about. It is obviously the foundation that allows the consumer to be much wiser in the use of electricity. Going forward, as an example, it's going to be the tool that allows us to incorporate things like the electric plug-in car and all of those sorts of things. So the benefit associated with the capital investment is not as limited to the areas that you wish to give it credit for. Notwithstanding that, we'll get you the number that we predict in terms of the conservation-demand management implication. The smart meter is a foundation for much, much more than just that. It's really about putting Ontario in a place where the home is made much smarter and where we can incorporate other things, like the plug-in electric car, as an example.

**Mr. Peter Tabuns:** Could you provide us with the report upon which this initiative is based, which I assume would have the projected capital costs, the projected operating costs, the benefits and the potential, as you've just outlined?

**Hon. George Smitherman:** You've used the word "assume." I can't accept assumptions. We'll see what reports might be there. I wasn't in the decision-making role at the time that this decision was brought forward, but we could certainly get you some information from that, and also perhaps from the Smart Grid Forum, which is a group in the electricity sector that starts to look at the opportunities that are created by the advancement of smart meters in Ontario.

**Mr. Peter Tabuns:** Fair enough, Minister. I don't think you'd make a half-billion-dollar investment without having done an assessment.

**Hon. George Smitherman:** The question was that you then went further and aligned the points that were in the assessment etc. We will look to see which of those products is available. I'm not sure it followed the exact format that you laid out, is my only point.

**Mr. Peter Tabuns:** No, no, but you'll provide me with the reports upon which the decision to go forward was based?

**Hon. George Smitherman:** We'll take a look at what's there, for sure.

**Mr. Peter Tabuns:** Okay. Going back to questions from last week: the proposed Nanticoke nuclear power plant. You said last week that you have no plans to purchase power from this facility. Will you be requiring a full provincial environmental assessment of this project, should it go forward?

**Hon. George Smitherman:** All of the obligations in law that are there for environmental assessment would apply. I'm not expert on what the requirements would be for Bruce Power, the proponent for such initiatives, but I could endeavour to get you all necessary information on that subject.

**Mr. Peter Tabuns:** My understanding is that you have no intention of buying power from this nuclear facility; is that correct?

**Hon. George Smitherman:** I answered that question previously.

**Mr. Peter Tabuns:** That's correct. The application I saw to the federal government, and maybe I misread—maybe I should reread it—indicated that the proponents expected to sell power to OPG.

**Hon. George Smitherman:** OPG doesn't buy power.

**Mr. Peter Tabuns:** Sorry; the OPA then.

**Hon. George Smitherman:** Well—

**Mr. Peter Tabuns:** No, I'm not saying that you have made any incorrect statement here. I'm saying they've made that statement and they need to be informed—I guess, the provincial government would be a reasonable authority—if the application is based on a statement that is not accurate. You have not intention of buying power from them.

**Hon. George Smitherman:** I don't think anyone searching the record is lacking clarity about the government's viewpoint on that, and what a proponent might have said is something better asked of the proponent, I would think.

**Mr. Peter Tabuns:** Or maybe the regulator should be informed that in fact the customer they're saying they're going to be selling to has no intention of buying.

**Hon. George Smitherman:** Well, I think if that's a matter that the regulator's seeking clarity on, they know where to come.

**Mr. Peter Tabuns:** Thank you. The OPA's plan—

**The Chair (Mr. Tim Hudak):** You have seven minutes.

**Mr. Peter Tabuns:** Seven minutes?

**The Chair (Mr. Tim Hudak):** Yes.

**Mr. Peter Tabuns:** It goes so fast, doesn't it?

**Hon. George Smitherman:** I know. We should spend more time together.

**Mr. Peter Tabuns:** I know.

**Hon. George Smitherman:** My constituent.

**Mr. Peter Tabuns:** Let's go to Lettieri at Church and Wellesley. I'm sure we could all fit in.

According to the OPA's plan, Ontario has capped the development of renewable energy—that's wind, solar and biomass—at 5,312 megawatts. Wind development's set to flatline at 2020 after new nuclear stations are forecast to come online in 2018 and 2019. That seems to me an unreasonable capping of the deployment of renewables.

**Hon. George Smitherman:** What are you quoting?

**Mr. Peter Tabuns:** IPSP.

**Hon. George Smitherman:** We don't have an IPSP. So that's an old document. At a certain point in time, the Ontario Power Authority will be in a position to offer an updated IPSP and we'll send it along to the Ontario Energy Board for consideration.

**Mr. Peter Tabuns:** When will this new IPSP come forward?

**Hon. George Smitherman:** As soon as it's ready. Well, let me put it to you this way—

**Mr. Peter Tabuns:** The record may show that my eyebrows lifted at that statement and the minister responded.

**Hon. George Smitherman:** It's a pretty short and to the point answer. Let me expand on it slightly. The OPA is a pretty small shop overall and very focused at the moment on the emergence of the feed-in tariff as an example. I think it's very crucial that the experiences we're having at bringing to life many of the opportunities that the Green Energy Act seems to speak to—we're looking for the OPA to be very focused on that, to do that well. Once that's done, obviously they'll have good information about the potential on the renewable side and will be in a very good position to complete the IPSP and for the process at the Ontario Energy Board to move forward.

I don't have a timeline on that, and I'm not prepared to offer one today, other than to say as soon as possible. But I don't think it's very helpful for me to ask an organization to try and do so many big things at the same time. They have a crucial body of work and my direction to them is to be very intently focused on that.

**Mr. Peter Tabuns:** So for the moment then, the IPSP is essentially suspended. It's been set aside.

**Hon. George Smitherman:** It's better to think of what you've seen as a draft. There is no IPSP until such time as the Ontario Energy Board has given such a stamp of approval. As that has not occurred, all of those things that are seen so far are earlier drafts. We suspended that effort in order to work on things like the Green Energy Act, with that directive letter that you're familiar with. That work is ongoing, and until such time as that's completed, we wouldn't be moving a new draft of the IPSP forward for regulator consideration.

**Mr. Peter Tabuns:** Then I'll set aside the IPSP, recognizing that right now there is not a plan in place that sets out the framework for power development in Ontario—I just say that there isn't one.

**Hon. George Smitherman:** There is one on green energy, as an example. It's a feed-in tariff without cap or limitation, and it encourages people to make a substantial investment in our province.

**Mr. Peter Tabuns:** I appreciate that there is no limitation on investment in renewable power. The record shows the minister's head was shaking vigorously at the time I said that. Anyway—

**Hon. George Smitherman:** That's actually inaccurate.

**Mr. Peter Tabuns:** You weren't agreeing with me, Minister?

**The Chair (Mr. Tim Hudak):** Let's keep written record to verbal.

**Mr. Peter Tabuns:** I'm trying to get a verbal, but lacking that, I'll do an interpretation of body language.

Nuclear cost overruns: In May 2006, Premier McGuinty said that if we were to go with nuclear, we would be looking at a turnkey operation. Don't come to us with cost overruns; been there, done that. Are you, in fact, ruling out any cost overruns in negotiations you're engaged in with the proponents who want to build new nuclear reactors in Ontario?

**Hon. George Smitherman:** We've been seeking, through this process that resulted in three proponents



submitting proposals, to construct two new nuclear units at our Ontario Power Generation Darlington site, with a view towards the greatest clarity and risk transfer, so that everyone is very clear from the get-go what expectations are around price and who is paying what. At the conclusion of our review of these three proposals, we'll be in a position to communicate with the public on where we've landed on those matters. But the objectives we've undertaken have been enunciated clearly in the statement by the Premier and through the actions that we've had on this proposal.

**Mr. Peter Tabuns:** So no overruns will be allowed as part of the contracts?

**Hon. George Smitherman:** I just answered the question. I think that when we have the conclusion of the due diligence that we're completing on what amounts to more than 100 boxes of material submitted by the three proponents, we'll be in a position to speak to the public in the province of Ontario about what they could anticipate, keeping in mind that the construction of such facilities takes place over about a 10-year period. We'll be working and seeking to be mindful of reminding the public that, just as you undertake a project to build a new deck or to renovate your bathroom or your kitchen, sometimes projects look a little different at the end than they do at the beginning. This is especially the case in something of the scale of a nuclear power plant, and obviously, in the 10-year timeline associated with bringing it to fruition, it's our obligation to do a very, very effective job of communicating to the public what reasonable expectation they should have over the life of such a large and lengthy project.

**The Chair (Mr. Tim Hudak):** Mr. Tabuns, that does conclude the time for our morning session, your full 20 minutes.

Minister, Deputy, thank you for being here this morning.

**Hon. George Smitherman:** See you later.

**The Chair (Mr. Tim Hudak):** I will remind members of the committee that we will be reconvening at 3:30 p.m. today, as long as daily proceedings aren't delayed.

**Mr. John Yakubuski:** When we reconvene, is he still under oath?

**The Chair (Mr. Tim Hudak):** Oath. Then, if all goes as planned, we should fit perfectly into concluding tomorrow afternoon between 3:30 and 6, which will mean there will be no necessity to carry this over until the fall. If we follow procedures and there are no extraneous items, we should finish very neatly.

So folks, thanks very much. We will see everybody this afternoon. The committee is now recessed till 3:30 p.m.

*The committee recessed from 1024 to 1610.*

**The Vice-Chair (Mr. Garfield Dunlop):** We'll reconvene the meeting. At this point, it goes over to the government members for 20 minutes.

**Mr. Yasir Naqvi:** Minister, welcome back. We'll go back to my favourite topic, the Green Energy Act, since it's such a good piece of legislation. Let's talk about some of the safety issues around renewable sources of

energy. There have been some concerns as to health standards and safety standards and the impact of wind turbines. I just wanted to get your point of view on the kinds of assurances that are built into the GEA to ensure that environmental safety and public health are at the forefront.

**Hon. George Smitherman:** We covered this a little bit this morning. One of the things that's important to keep in context when you talk about renewables is that we're on a path here in the province of Ontario towards the elimination of coal. A former chief medical officer of health knows very well the data from organizations like the Ontario Medical Association. So one of the things we have to keep in mind, of course, is that as we alter our energy supply mix, a big part of it is motivated by the desire to contribute to cleaning up our airshed. It's a little bit of the foundation.

On wind, obviously wind as a form of electrical generation meets with people who are passionately in favour of it or passionately against it. We have to look at the arguments people bring forward in opposition, carefully analyze those and seek to do appropriate justice to concerns that are raised. When you distill some of it down, there are some people who are opposed to wind on purely aesthetic bases, and that's okay. That's their opinion. But we could set that aside slightly and focus more on issues that are raised around health and safety.

What I mentioned this morning was that when we look at the situation in Ontario with the decisions that have been made by municipalities through their then Planning Act responsibilities, they've landed in different places, with big variances in terms of what the setbacks are from wind turbines. We think it's important to have a well-established setback and that that should be developed by those who are best able to assess whatever the literature suggests.

In our construct, the Ministry of the Environment is the ministry that will be responsible to establish a minimum setback on a province-wide basis, and they will do so taking into consideration the best information that is available. So they'll be researching circumstances from jurisdictions that have previously introduced wind, as an example.

I think what we can say to people is that they should anticipate, on a go-forward basis, associated with wind power and the Green Energy Act, that the minimum setbacks will be greater than most of the setbacks that have been established through those municipal processes so far; and secondly, that the Ministry of the Environment has indicated that it will be seeking to create a research chair role at a distinguished post-secondary institution in Ontario so that we continue to build up the amount of knowledge around health, safety and environmental concerns associated with that form of renewable energy.

**Mr. Yasir Naqvi:** The act also includes provisions relating to home audits. My colleague Phil McNeely, as you know, has championed that. There were certain amendments made in the act before it was passed into

legislation. Can you highlight what those changes are and why you felt those changes were necessary?

**Hon. George Smitherman:** I think that some people misinterpreted what the alteration was, what the amendment was that we brought forward, so I appreciate the chance to clarify it.

As passed, the Green Energy Act continues to have a mandate for mandatory home energy audits at the time of purchase or sale of a home. What we did is offered an opportunity for an exemption whereby if you're the purchaser of a home, you may choose in writing to waive the requirement for a home energy audit. We don't anticipate that this would happen too frequently. The circumstances that people could point to are where it does seem that maybe they'll say, "What do I need with a home energy audit? I'm about to substantially renovate the house anyway," or "What do I need with the home energy audit? I plan to knock that house down and build a different one on the same site." In some circumstances—like that, for an example—the purchaser can waive their entitlement to have a home energy audit provided for the home. So, in some narrow circumstances, we anticipate that people will do that. We made that amendment in response to a suggestion that came forward through the committee hearings and discussion.

At the heart of it, we think it just makes good sense. We've had resolutions on the floor of the Legislature that enjoyed all-party support. Different parties have had things like this in their election platforms. It just seems very reasonable. When you look at how much energy a home uses, it's very wise, I think, at the time that you're purchasing a home, to come to understand more about how much energy it's using. So the mandatory home energy audit remains as a crucial part of our government's policy related to the Green Energy Act.

A couple more things, if I could: The government will continue to provide support to people towards conducting the audits. They're around \$300, on average, and we look to provide about half of that support. But having that audit completed gives homeowners the opportunity to apply for up to \$10,000 in direct grants from the governments of Canada and Ontario, related to the things that they would do to improve the efficiency of the home overall.

So we try to send the message to homeowners: Don't wait till the point when you're trying to sell your home; take advantage of the opportunity to learn more about its energy footprint and perhaps look at opportunities to make some investment that would transition your home to overall lower energy use.

**Mr. Yasir Naqvi:** So I would take it, then, that you also support the change that is being made in the assessment act, that was in the budget, where, if I invest money in my home and make it energy-efficient, those changes will not be counted towards the assessed value of the house by MPAC, as I understand the Minister of Finance will be making those changes as part of the 2009 budget.

**Hon. George Smitherman:** I'm not familiar with that. I'm familiar with the issue; you've raised it with me before.

**Mr. Yasir Naqvi:** It's in the budget, which is a good thing, because it's consistent with the policy, which is that we're encouraging people to make sure their homes are energy-efficient, and then we're not penalizing them for doing that by increasing the assessed value. So that portion of the assessed value would not be increased. I just wanted to see if you have a view on that, but I see that as a positive step.

**Hon. George Smitherman:** I get the point in principle. I'll be interested to see it in application: In terms of being able to actually differentiate in the value of a home, what part of that value has been contributed to by investments in retrofit?

I think the other thing that's important to keep in mind is that for many people, the biggest changes that they can make in their home are not expensive changes at all. We think, "Oh, my goodness, new windows, or a new furnace." But I think that people like GreenSaver—when I've talked to folks who are in this business, in a lot of cases, for around \$1,000 or something like that—plugging all the gaps around windows; adding a little bit of insulation here or there; wrapping your hot water pipes, this kind of thing—a lot of times, a big impact can be made with very modest expenditure of resource. And of course, you start to save on your electricity and energy costs immediately.

**Mr. Yasir Naqvi:** Absolutely. I want to move the conversation towards the infrastructure side of things as part of the Green Energy Act, and that is in terms of creating a smart grid in the province, in the transmission infrastructure. Part of your portfolio is also infrastructure. What kind of steps is your ministry taking in order to upgrade the whole distribution network of energy in the province?

**Hon. George Smitherman:** We had a chance to talk at committee a little bit earlier about this notion of distributed generation or microgeneration. We've also talked about the incremental investment that we think the Green Energy Act will call for. A substantial portion of that, in the earliest years, is on enhancements to our transmission capability and enhancements to the local distribution networks.

We anticipate that local distribution companies—and they're here today at the Legislature, for any members who can join them in the dining room later—will seek, through the Ontario Energy Board, the capacity to make substantial investments in their networks to enable some of that microgeneration that we spoke about earlier.

**1620**

In the smart grid context, I had a chance to speak earlier about how the smart meter provides a platform for this emerging smart grid, where electrons are moving two ways rather than just one. We have, actually, a \$50-million budget allocation from the recent budget that will enable us as a government to invest in some programs and projects that can help to lead the emergence of the smart grid forward.

Ontario has emerged as a leading jurisdiction because of the smart meter initiative. Now we have the chance to stay ahead of the pack by making investments in the



smart grid, and we have good advice that's on offer from a group called the Smart Grid Forum, which is made up of the Independent Electricity System Operator and a bunch of our local distribution companies. We're carefully analyzing some of the ideas that they have and looking for the best places to invest that \$50-million budget allocation.

**Mr. Yasir Naqvi:** Do you have any timelines on that investment?

**Hon. George Smitherman:** No, but I would anticipate, as matters of policy, that we would move these things forward in the course of the next two to three months.

**Mr. Yasir Naqvi:** Okay. So that's pretty soon, and that—

**Hon. George Smitherman:** I just shocked a couple of people back here.

**Mr. Yasir Naqvi:** No, I'm pleased to hear that.

**Hon. George Smitherman:** It's a \$50-million, five-year fund. It's important to move along with some initiatives. As I mentioned, we have a good body of work here, so it's not like we're starting from a standing stop; we actually have momentum on this file, and we want to be a leader, because our economic model is that we want to create a domestic marketplace in Ontario. We've got more smart meters installed than anybody. The companies that have installed those smart meters and manufactured them are largely Canadian suppliers. They are now selling those products into some of the huge market opportunities in the United States. We see much of the smart grid initiative in that context where, by being an early adopter and creating a strong domestic market, they can hone their expertise here and be well-positioned to export these and to enhance the job opportunities here in the province of Ontario.

**Mr. Yasir Naqvi:** Where are we on the coal phase-out?

**Hon. George Smitherman:** We're certainly, according to the IESO, on very good track to eliminate coal by our committed date of 2014. We have reduced coal use in the province of Ontario by about 40% so far, and the Ontario Power Generation is operating under regulation that came through cabinet to reduce by 2011—we think about it in three one-third increments. We're in the second increment now and, by 2011, Ontario Power Generation would be expected to have ramped down by 66% the amount of coal or the amount of emissions associated with coal. It's a constant cycling down and constant alterations and reductions in our reliance upon coal. Over the course of the last several months there have been many days in the province of Ontario, or certainly some days in Ontario, where we've actually gotten more power from wind than from coal.

**Mr. Yasir Naqvi:** So we're getting there.

**Hon. George Smitherman:** It's coming along. Some of that speaks to the fact that April is the lowest-demand month that you have for electricity, so of course it's natural that you wouldn't be relying too much on coal. But, yes, we're making very good progress in its elimination.

**Mr. Yasir Naqvi:** The point, I guess, is that we now have, in our renewable capacity in the province, times in the usage that we are starting to see a flip.

**Hon. George Smitherman:** Yes.

**Mr. Yasir Naqvi:** We're building the capacity to do that.

I think you also asked the OPG to investigate replacing coal with biomass and gas-powered generation. What's the status of that initiative?

**Hon. George Smitherman:** I'll separate those two issues out slightly. More precisely, on the issue of biomass, we asked the OPA, the Ontario Power Authority, to take a harder look at whether we were maximizing the potential for biomass. Ontario Power Generation has already been a very active investigator, and we've been looking for quite a few years now at the opportunities to transition coal units to biomass. At Atikokan, in north-western Ontario, we have a one-unit coal station, and we've had some test burns there with biomass that have met the rated capacity of the plant, and that was a big surprise to everybody. Burning a wood pellet, which has extraordinarily low emissions, almost immeasurable—but we still achieved the rated capacity of the plant. In other words, we achieved the same 220 megawatts that's possible when we burn coal in that plant. So it offers a lot of promise.

The Ministry of Natural Resources and Ontario Power Generation had a parallel-track process to investigate the opportunities to transition more of the forestry sector and some of the surplus forest product that we have, to take a look at whether we could actually create a made-in-Ontario sustainable energy solution which included biomass from forestry.

We've also been working with organizations like the Ontario Federation of Agriculture, who offer much promise in terms of some purpose-grown crops like miscanthus, which is a very, very fibrous product. It grows 12, 14 and, in some cases, 16 feet high. These are all opportunities that we're examining very, very carefully.

The triple advantages associated with being able to transition our plants to biomass are that you keep the plant active rather than knocking it down—we've already invested the capital in it. If we can find another use for it, it's very beneficial. Of course, the environmental attributes associated with biomass are very, very positive. The creation of a made-in-Ontario supply of biomass could be a source of hundreds of millions of dollars of annual revenue for the forestry and/or the agricultural sector, and we both know that there are many opportunities to enhance the economic conditions of rural and remote communities associated with that. So we're working very vigorously to see what potential we could maximize there.

As I had a chance to say this morning in response to questions from the third party, as we move toward the reintroduction of the integrated power system plan, we may be able to demonstrate some enhanced space in the future energy supply mix related to biomass. There's much investigation on that point ongoing at present.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got another couple of minutes, guys.

**Mr. Yasir Naqvi:** Thank you. You're doing a lot of tremendous things here, in my opinion. There's a lot of vision taking place. Out of curiosity, are you finding that when it comes to existing structures—OPA, OPG, IESO—there's a big cultural change taking place in thinking and how we've always done things? What has that challenge been like?

**Hon. George Smitherman:** Lots of people have made comments about the way that the Ontario energy sector is organized. We have a lot of players, and it can be challenging to have them all as well aligned as you would like.

In my experience of almost a year, I've been very, very impressed with the capacity of the leadership in those organizations to align their efforts and to work together around the Green Energy Act, as an example.

We've had a process involving Hydro One and the IESO and the Ontario Power Authority and the Ontario Energy Board, looking to try to make sure that they were approaching some of the issues which have to be addressed with a collective viewpoint.

I think that we're getting very, very good service from the leadership in those important institutions, and on many public occasions I've commented similarly. We feel very well served by the leadership that's being provided in those organizations.

**The Vice-Chair (Mr. Garfield Dunlop):** You have time for a real quick one.

**Mr. Yasir Naqvi:** I'm good.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Mr. Yakabuski?

**Mr. John Yakabuski:** Minister, I appreciate you coming here again this afternoon.

**Hon. George Smitherman:** I didn't know I had a choice.

**Mr. John Yakabuski:** I don't know if you do or not. I didn't have one either.

You answered a question in the House today, and there was a news story or a press release put out about it during the sessional break, I believe it might have been—constituency week. You talked about the plan to bring in legislation with respect to energy retailers and also to deal with the issue of sub-metering. In fact, the member for Ottawa Centre was one of the people asking you that question today.

1630

Not to say I wasn't listening, but just to ensure that there's no ambiguity, when Donna Cansfield was the Minister of Energy, during the period when Dwight Duncan had gone temporarily to finance when Greg Sorbara had resigned temporarily, we talked about this issue at estimates. I never heard it from you, but one of the concerns out there at that time was that you were one of the people who opposed sub-metering in apartment buildings here in the city of Toronto. If that's not correct, that's fine; you'll correct me on that, I'm sure.

**Hon. George Smitherman:** I don't even understand what you're suggesting. You mean years ago?

**Mr. John Yakabuski:** Yes.

**Hon. George Smitherman:** I'd be interested to know—

**Mr. John Yakabuski:** And that that issue—

**Hon. George Smitherman:** Is there any obligation on your part to bring forward things that are factual, or are you just making this up?

**Mr. John Yakabuski:** No, I'm not making this up.

**Hon. George Smitherman:** Oh, okay.

**Mr. John Yakabuski:** I'm not making it up.

**Hon. George Smitherman:** It seems like it.

**Mr. John Yakabuski:** I didn't say that I got it from you, but I did get it from people in the Liberal caucus who felt that it was you and Michael Bryant who opposed the power people in cabinet, who opposed sub-metering in apartments. So if that's not correct, as I said, you'll correct me, but—

**Hon. George Smitherman:** Thank you. Could I do that now?

**Mr. John Yakabuski:** No, you'll get your chance, I'm sure.

**Hon. George Smitherman:** Okay.

**Mr. John Yakabuski:** And you'll take the opportunity, for sure.

Based on what we heard in the question today, can we expect—because it's something that we were recommending, as an opposition, several years ago, that if you want to talk about conservation, and you talk a lot about conservation and the importance of it, one of the best ways to ensure that is that the person using the energy is the person paying for the energy, because that's how they're most accountable to themselves and everyone else in the building, so that each person in that building is paying for the energy they use. We also felt that it was a way to ensure that there isn't something nefarious going on in one unit as opposed to another, where there are huge amounts of power being used by one tenant because they may be conducting some form of illegal activity in that unit.

Can we expect, then, that in the fall we will actually have this legislation that will compel—I don't know; is it any new building, retrofitting, or whatever. I know you're not going to reveal to me the legislation, but you have given the gist of it. So is that what we can expect in the fall?

**Hon. George Smitherman:** Firstly, let me tell you, I don't know—you have no real source on that, on what you said before. I can tell you that I've always supported the principle associated with sub-metering. But I have the highest percentage of tenants in the province of Ontario, and I do think it's possible that sub-metering can move forward in a way that rolls over tenants, possibly absent the appropriate protections. I'll just give you a couple of examples.

The principle is so sound, yes: You should know how much electricity you're using, pay that bill and be more aware so that you can try to alter your behaviours and use less. The motivations are very crucial.

A couple of examples: Appliances from before 1993 use a lot more electricity than appliances after 1993. If



we look at a 300- or 400-unit apartment building, should it matter whether all of the tenants in the apartment building have appliances that are post-1993? I just use that as one example.

So you want me to take on the responsibility. Maybe I'm already living on the side of the building that gets less natural sunlight, which could be an influence on how much heat I'm required to use at times of the year or what have you, or maybe someone else has to bear too much air conditioning. What are the implications of things like appliances?

And another whole area is, if I've been dutifully paying my rent to my landlord for five years or 10 years or 20 years, is it appropriate that at the point that sub-metering occurs, I should have to pay a very substantial security deposit—to an electricity distributor of some form or other—associated with my becoming a new customer? These are just a few of the examples that need to be considered carefully.

I say to my honourable friend, on this and that broader issue of the resellers, we'd be very open to a conversation, or dialogue of any form, for ideas about how we can properly move forward good public policy, but in a way that has strong consumer protections associated with it. We're going to work on that over the summer. In the fall session, we'll look forward to bringing in a piece of legislation. There is lots of opportunity for members to influence what the content of that should look like.

**Mr. John Yakabuski:** Look, I think that all of the points you've made are very valid, and we share those. Not every situation is exactly the same. With respect to the age of the appliances in the unit, it's a very legitimate issue to talk about.

But actually, I'm pleased to hear that in principle, you agree that ensuring that the person using the electricity has accountability for that use. I think that will help us all, when it comes to conservation.

Your brief comment on the energy retailers—we've had a couple of brief discussions on that. I was very supportive of David Ramsay's bill. I think there is much that can be accomplished in protecting consumers when it comes to energy retailers. Actually, I'm pleased to see your intention on the legislation. I do look forward to seeing the legislation, because I certainly share your views that the consumer has a right to receive greater protection than what we believe they're getting today. I don't think that we're on different planes on that one.

**Hon. George Smitherman:** We've all heard the story about vulnerable people being browbeaten in one form or another to sign contracts under duress.

**Mr. John Yakabuski:** People come into my office every day.

**Hon. George Smitherman:** And in the urbanized areas, another particular challenge relates to linguistic barriers. I think that we have to be very sensitive, as we look to the right policies here, to make sure that we're reflecting the fact that our province is one of the most diverse places to be found anywhere on earth.

If you want us to come and meet with your caucus or any group to discuss this etc., we'd be very happy to do so.

**Mr. John Yakabuski:** Well, when that legislation is—

**Hon. George Smitherman:** Okay. But even in the drafting, in the preparing—any ideas that you have, we'd be very open to take a look at those.

**Mr. John Yakabuski:** I think that David Ramsay's bill was a good genesis, a good starting point.

**Hon. George Smitherman:** I mean, there are some elements in it which are more readily transferable than others.

**Mr. John Yakabuski:** That's right. Understood.

**Hon. George Smitherman:** Some of the mechanisms around global adjustment etc. are a little bit more complex than presented there, but we think it's a very good foundation. And we note the discussion in the Legislature that has gone on around it. We see how strongly so many members are feeling about it.

**Mr. John Yakabuski:** I get comments from members of our caucus every day about challenges that they have locally with people who really, genuinely don't believe that they were informed properly about the ramifications of signing that contract. Certainly the CBC story that was on Marketplace brought it all pretty graphically to the forefront.

So, no, we applaud you on that. But you don't have to answer me there, because I didn't ask you a question.

**Hon. George Smitherman:** Oh, I'm sorry.

**Mr. John Yakabuski:** You don't always have to.

Anyway, these are a couple of things that I'm going to talk about, just based on the discussion between your colleague Mr. Naqvi and yourself. You talked about the establishment of minimum setbacks, which is part of your plan under the Green Energy Act, but you haven't established that. Your contention, based on what I've heard, is that you're going to be working towards that, consulting with the Ministry of the Environment, or the Ministry of the Environment is going to take some of the lead on that. But we don't have a date as to when we will have that.

So I guess my question would be, in the interim period, because those who are the big supporters of your Green Energy Act—many of them are wind developers, and they're going to be looking for opportunities to build new installations. We don't have a framework or anything that sets a provincial standard in the interim. Yet the municipalities—according to the act, at least, if there are regulations yet to be brought that will define that—are no longer the ones that are going to be setting those setbacks.

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In the interim, are we going to suspend the development of any wind farms, or do we have an interim measure that would be—

**Hon. George Smitherman:** I can explain this to you this way. First, there is no interim period because, at the present time, the feed-in tariff, while it has been

publicized and we've had much consultation on it, is not in the window and available for people to seek contracts under. By the time it comes live, the companion efforts which are being led by the Ministry of the Environment will also be coming live. Earlier, I mentioned that we're looking at a July/August rollout of these products, and they will be aligned at that point. So there is no interim opportunity for a project proponent to bring their proposal forward related to the feed-in tariff.

**Mr. John Yakabuski:** So there's no new wind development that would take place. Anything that is in the system is already established at a certain setback, so there's nothing that's going to be opened or begun or started until that target is set.

**Hon. George Smitherman:** The only distinction on that is that in the case of several of these renewable standard-offer program contracts, there are a number of people in the province of Ontario who have received a contract under RESOP who have the opportunity to bring their projects forward, and time will tell. Many people would speculate, though, that those individuals would be rather more interested in bringing their projects forward under a feed-in tariff model because the rates of compensation are somewhat higher.

So I can't say categorically that there's no chance whatsoever that a project here or there that has been in the pipeline might come forward, but I rather suspect that the circumstances of that would be quite rare. For the most part, what we're talking about here is the feed-in tariff model, aligned with a one-window approach approvals process that involves the Ministry of the Environment and the Ministry of Natural Resources, where the Ministry of the Environment would clearly establish from the get-go what the setback requirements are.

**Mr. John Yakabuski:** From a financial point of view I can understand why they would want to wait, because the feed-in tariff is advantageous to them. However, I'll just put it plainly: Is there a possibility, then, that we could ensure that no turbine that is not operating today will begin operation until we establish those setbacks if the proposed setback today before it's actually erected would be less than what has been proposed by opponents of the wind farms?

**Hon. George Smitherman:** I'm going to leave the opponents out of this for a moment. If somebody has in their possession a contract for a RESOP and has done work, including that work at the local level associated with planning and the like, theoretically you could see some of those projects move forward. So I couldn't offer to you an ironclad that there are not projects out there that might come to life. But from the standpoint of the launch of the feed-in tariff and as a go-forward basis, that minimum setback would be aligned with it.

**Mr. John Yakabuski:** Okay. I know you don't like hypotheticals, but I'm going to give you one anyway. Hypothetically speaking, we establish a setback that is, for the sake of argument, 750 metres, and between today and that time when you've publicly gone on record as

saying you're going to establish setbacks in conjunction with the Ministry of the Environment, they build an installation that has setbacks of 400 metres. We establish, based on all kinds of health studies and whatever we do, that 750 is going to be the setback. Would it not seem logical, then, that people would have a right to challenge anything that was built with less than that, like at 400?

**Hon. George Smitherman:** You used the expression "was built." Are you now also—

**Mr. John Yakabuski:** Basically, I'm saying that between today or whenever you actually have gone on the record having said that, between then and the day that we actually establish these setbacks, if something is built with less than that setback, would it not seem logical that those people who are challenging it would have a legal right—I don't think they can sue for anything; we understand that. But that would be giving them quite an opportunity to challenge it, don't you think?

**Hon. George Smitherman:** I'm not a lawyer and I'm not going to get into the position of offering legal advice. I don't know the answer to that, but please keep in mind that if any project like that was in a position to move forward, it would only be in a position to move forward because it had received due consideration at the local level by a municipality related to the issue of setbacks. In rare circumstances—I can't predict whether it would happen or not—we could see some projects that have been in what I might call a project pipeline move forward under what we could characterize as old rules.

**Mr. John Yakabuski:** Okay. I think we—

**The Vice-Chair (Mr. Garfield Dunlop):** You've got a couple of minutes left.

**Mr. John Yakabuski:** What? Two minutes left?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes.

**Mr. John Yakabuski:** Oh, my goodness. We're not even going to get into a new topic at this point. That's impossible that 20 minutes went by. But anyway, earlier this morning you talked about a take-or-pay with the NDP. Is it not basically the case that when wind is in the system, you have to accept any wind that is there?

**Hon. George Smitherman:** The principle of take-or-pay would be that on those days—which are quite remote, but possible; we've seen a few of those in the last couple of months—where we actually had a surplus of supply and where too much supply causes some real challenges, on the day ahead, you could call the wind operator and say, "For these hours, please don't operate. Don't feed into the system." In exchange for that, it's very, very easy to track what the quantum of energy unused is and to compensate individuals for it. It's a tool that is designed to keep the operator whole, but to also try and make sure that we have the flexibility to operate the system well and to ask those operators, on a case-by-case basis, to not produce for that window and to compensate them in exchange for that.

**Mr. John Yakabuski:** Okay.

**The Vice-Chair (Mr. Garfield Dunlop):** A quick one.

**Mr. John Yakabuski:** It's probably not going to be that quick. How much time do we—



**The Vice-Chair (Mr. Garfield Dunlop):** Less than a minute.

**Mr. John Yakabuski:** Have we advised any wind development yet to not feed into the system?

**Hon. George Smitherman:** I could very easily get you an answer to that question, but I'm not certain whether we've done that. I don't know.

**The Vice-Chair (Mr. Garfield Dunlop):** Thanks, Mr. Yakabuski. Mr. Tabuns.

**Mr. Peter Tabuns:** Minister, just to follow on—and I appreciate the fact that your staff provided me with some OPA documents. Are you saying, then, that if a wind turbine generator or a solar generator or a run-of-the-river generator was told that you couldn't take their power, you would be paying them the full value of the feed-in tariff revenue that they had to give up for the period when they weren't feeding in?

**Hon. George Smitherman:** The final nature of this has not been landed. The Ontario Power Authority is in consultation with a variety of folks in the sector. My understanding of it, subject to final determination, is that the rate of compensation is full compensation.

**Mr. Peter Tabuns:** Okay. Another question related to the Green Energy Act is that whole question of Buy Ontario, and specifying the percentage of the investment that has to be Ontario-made. First, do you have a sense as to when you will bring forward a decision on the requirement for Buy Ontario?

**Hon. George Smitherman:** I don't have an exact date except to say that it's obviously one of those companion policies which is necessary to have clarity on for the project to come to life. When I speak about a July/August time frame for all of these pieces of the puzzle to be out on the shelf, we would need to be operating within that kind of a time frame, so quite soon.

We've done some consultations already with a variety of folks in the sector and we're working closely with the Ministry of Economic Development, which is assisting us in helping to know what is the domestic capability in Ontario related to the various supply chains.

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**Mr. Peter Tabuns:** Okay. Just so that I'm clear—and I'm sure since you've been caught up in this—there are an awful lot of different ways one can describe percentage of Canadian or Ontario content: total labour, manufactured components etc. I'm very concerned that the manufactured components in a renewable generation project have a very high Ontario content. Are you looking at specifying that the manufactured component of that renewable generation be at least comparable to Quebec's 60%?

**Hon. George Smitherman:** No, I'm not building off of the Quebec model. Firstly, I don't diminish engineers and planners and those things that are more typically sometimes characterized as soft costs. I've certainly been approaching the issue from the standpoint of 100% of project costs, all in. If this can help to make sure that lawyers who live in my riding and work in downtown Toronto are also part and parcel of the service of bringing these projects to life, then I'm okay with that.

We will establish a percentage that will ensure that a domestic supply chain emerges, or else people will not have the capability to put products into the ground. I think as you've suggested, we recognize that because a supply chain can emerge over time, we might actually want to have a moving target, which, over a few years or something like that, increases the percentage of domestic content. But we wouldn't be looking to establish a domestic content number based on the manufacturing side alone. It will be as a percentage of overall, all-in project costs, soft and hard services.

**Mr. Peter Tabuns:** I'm not saying for a moment that one should diminish the value of the soft services, although, frankly, engineering seems to be pretty central in making these things work. But I'm very concerned that there be enough demand created by this investment that there be the pull there to get the manufacturing piece in place and that we're not simply assembling on a construction site, that we're actually manufacturing in Ontario. Is that your goal, and if so, how are you looking at specifying that?

**Hon. George Smitherman:** I think the percentage in and of itself will substantially achieve that. A small example: wind turbines. We've had numbers as low as 20% for the Ontario impact associated with those projects. Some have been much higher, but some have been as low as 20%. That's almost nothing in terms of hard services and just the soft stuff.

A wind turbine has three major components: the tower, the nacelle and the blades. In most models, you would create a dynamic whereby a project proponent would not be able to achieve the minimum number with just one of those three components. There is more work to do for sure, but I could give substantial comfort that the models we're looking at will achieve the objectives that you've spoken to.

I should say as well, though, that we're also an early-adaptor jurisdiction and a trading jurisdiction. Accordingly, we think it's crucial that we balance out those obligations to get more of a market here in Ontario for the benefit of the good people in Ontario who can do this work, but also to do it in a fashion that doesn't build a wall around Ontario but actually encourages us to take advantage of the attributes of being an early adaptor to look for export markets as well.

So we may not land in exactly the same spot that other—you know, some people would say, "Make the number 80% or 90%," but that is to ensure that manufacturing capability in Ontario would be pretty much limited to the market in the province of Ontario, and we're not sure that's the right long-term vision. If we get a good foothold here, we think, just as I spoke about in the context of smart meters, that we should be trying to help these companies establish here, benefit from our extraordinary workforce, take advantage of our strong local market, but also be well positioned to be exporters. That would be more our goal.

**Mr. Peter Tabuns:** Okay. Electricity demand: You referred to it earlier in a question raised by Mr. Yaka-

buski. In recent months, Ontario's faced more instances of surplus power than ever before. Ontario's wholesale spot market electricity price was negative for 214 hours—that's almost nine days—between March 24 and April 19. How much money have ratepayers spent this year paying energy users to take power?

**Hon. George Smitherman:** We'd be happy to work with the IESO and try to get you some information on that. I don't have that information top of mind.

**Mr. Peter Tabuns:** Okay, but if it could be provided, I would appreciate it.

**Hon. George Smitherman:** Yes, sure.

**Mr. Peter Tabuns:** Recent news reports have indicated that it's less expensive to pay people to take power than to shut down nuclear plants. How much does it cost to temporarily shut down a nuclear plant during a time of energy surplus?

**Hon. George Smitherman:** I would say two or three things. Firstly, the surplus experiences that we've had have been in the period of the year when electricity demand is at the lowest, and in part have been caused by the commissioning of new capacity. So on quite a few of those hours, we've also had the mandatory commissioning of a new 865-megawatt gas-fired plant, which has to run for a certain period of time and was feeding electricity in at a time when it was less required. We also have a rehabilitation on our inter-tie with New York state, which has often actually been a market when we've been in these situations before. So a few compounding issues there have contributed to those challenges.

**Mr. Peter Tabuns:** Was Ontario running its coal plants at these times of surplus?

**Hon. George Smitherman:** Perhaps, but more of it has been gas in the form of non-utility—as our energy supply mix changes, we need to look very carefully at the contracted nature of our supply. We have contracts for non-utility generators and so-called early movers. Those are natural gas plants. A few of them are cogen, but not overall, where they're paid to supply electricity and where we have not transitioned those contracts to provide a role, just that kind of a peaking or balancing role. So we're working closely with the Ontario Power Authority to try and remodel the energy supply mix and the way that we order the electricity so as to try and prevent some of these challenges, which would be likely to return in a shoulder period like the fall.

On the issue of nuclear, you asked about the costs associated with what they refer to as manoeuvring the units. It's not really so much a cost. You could say, "Well, it's a cost, a lost opportunity of producing the power." Let's say I have 1,000 megawatts of capability and you only want to use 500. There's an opportunity lost there, but the real issue in terms of the engineering is that nuclear units are most effective when they are operating consistently. They are not particularly well set for manoeuvrability, and it's something that we seek to avoid as much as we possibly can. As we move towards the fall period and look to work with the Ontario Power Authority and these forms of adjustments, it would be

our very strong bias to create a stable foothold for those units and to seek not to call upon them for the function of manoeuvrability. There are better choices that are available to us, and we expect to realign our supply mix and our firing sequence in a fashion that accomplishes that.

**Mr. Peter Tabuns:** Given the surplus of power in April and the fact that we had to take a position where we paid people, companies, to take our power, does that say to you that in fact we may be overbuilding generating capacity in Ontario?

**Hon. George Smitherman:** Before you conclude that we're overbuilding, I think it's important to take a look at some of those circumstances like I just mentioned, especially on the gas-fired side. We've had contracts which have allowed, I might even say encouraged, gas producers to produce electricity regardless of whether there was a demand. So I think that we have opportunities to improve the nature of the contracting and to balance off, to find a better way to use our energy supply mix.

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**Mr. Peter Tabuns:** There's something you said there I need to understand better. Are you saying to me that gas-fired stand-alone generators were pumping power into the system?

**Hon. George Smitherman:** Yes.

**Mr. Peter Tabuns:** Without being asked by the IESO?

**Hon. George Smitherman:** Yes, by the nature of their contracts. As best as I can understand, and I would only be able to give that at a very high level, the answer to that is yes, plus this circumstance that I mentioned with respect to the commissioning of Goreway, the new gas-fired plant. In the very same window when we were having surplus supply, they were on a mandatory commissioning which required them to produce electricity. So it did exacerbate our challenges, most certainly.

**Mr. Peter Tabuns:** So let me be clear: We had gas-fired power plants producing power that was being fed into the system—set Goreway aside; you mentioned others—and we had to pay those companies for the power they generated and we had to pay customers to take it at the same time?

**Hon. George Smitherman:** Yes. This is a circumstance that occurred in the spring, and that's why we're looking by the fall to have made those corrections.

I should note that the last period that the IESO can remember where we were in similar circumstances was in 1992. These are contracts that have been in place, in many cases, since the 1980s. I've already signalled to those producers that we're very anxious to make sure that we have a better alignment of their capability within the context of Ontario's energy supply mix. Many lessons are to be learned, most certainly, from the experiences that we've had over the course of the last couple of months.

**Mr. Peter Tabuns:** So are you saying that the power stations that were pumping electricity into the system were not the new ones like the Portlands Energy Centre but older, non-utility generators?



**Hon. George Smitherman:** I'll give you an answer and we'll make sure that this is the case, but yes, as I understand it, that is the situation. We don't pay companies to take power, but the effect of the market is that when demand is extraordinarily low, it is there for them for the taking at very low prices. It's not like we pay again; they gain the privilege of a market circumstance, which is extraordinarily inexpensive or no-cost electricity.

**Mr. Peter Tabuns:** Maybe I misread Tyler Hamilton's article in the Star, but as he was presenting it, in my recollection, companies were actually being paid to take power. So you're saying that there was not a negative price, that no customer was paid to take power by the system.

**Hon. George Smitherman:** As I understand it, that might have been more a turn of phrase that he chose to use to explain it, because even in those circumstances where the market price is low, neutral or negative, the obligation is still there on the user to pay costs like global adjustment, as an example. This is my understanding of it. We'll seek to get more information and try and deconstruct the comments that Tyler Hamilton made and see if there's any context there that could enhance our understanding of it.

**Mr. Peter Tabuns:** I would appreciate that, because his report was a substantial one. He reported a negative price. I don't consider that a zero price or a low price; I consider that a situation in which people are paid to take power. So if that's not the case—

**Hon. George Smitherman:** No, they're not paid to take power. Please keep in mind that you and I, in all likelihood, are purchasing electricity from the regulated price plan that the Ontario Energy Board establishes, but colleges and universities, municipalities and bigger organizations are purchasing their power through the wholesale market. In times of intense oversupply, the wholesale market functions like a market. Supply and demand means that the price is low, negligible or negative, but they still pay, in those instances, just as when you look at your hydro bill there are four or five different things that add together. They would still, in those circumstances, be paying the global adjustment portion of those bills into the rate base.

**Mr. Peter Tabuns:** I look forward to the clarification.

**Hon. George Smitherman:** Sure. It's a phenomenon that hasn't been around for quite a while, and it really does give you a chance to think a lot about the supply mix and about the way you want to order up the various aspects of it. We need to make sure, as we're bringing more renewables into play, that they have all of the space that they need and that gas is relegated, as a fossil fuel, to this crucially important role of helping to level out whatever demand requirements we have, but we use no more of it than is necessary.

It's most complex in circumstances where you've got cogeneration associated with it, where there's an adjacent plant that requires the residual heat or what have you.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got time for a quick question here, guys.

**Mr. Peter Tabuns:** Yes. Two offline Bruce reactors are expected back online next year. How do you expect this will affect the surplus power situation?

**Hon. George Smitherman:** It really, in a certain sense, as an example, relates very closely to questions that you asked me, I think, on the first day of estimates related to the future of Pickering.

Each and every time we have an opportunity for more sources to be brought online is the appropriate opportunity to evaluate how we're doing in terms of our overall energy supply mix.

Certainly, if we look to Ontario's fleet of nuclear reactors, we are going to continue, over the course of the next period of time, to have many opportunities to be investing in the renewal of units. Some come into operation; some go offline. We have to look at all of these things in the overall balance of the equation.

**Mr. Peter Tabuns:** So you don't expect the return of those reactors to increase or deepen the oversupply problem?

**Hon. George Smitherman:** What I would say is that there is further motivation to make sure, over the course of the summer, when demand is typically quite a lot higher, that we take advantage of the time we have to recalibrate our energy supply mix and the way that we're using those fuels so that the oversupply issue is less of a risk. We have that obligation, and it's a body of work that we've already embarked on.

**The Vice-Chair (Mr. Garfield Dunlop):** Just make it quick.

**Mr. Peter Tabuns:** No, it isn't a quick one. I'll wait my turn.

**The Vice-Chair (Mr. Garfield Dunlop):** All right. We're over to the government members again.

**Mr. Yasir Naqvi:** Time flies when you're having too much fun.

**The Vice-Chair (Mr. Garfield Dunlop):** Yes, it's going quick.

**Mr. Yasir Naqvi:** How're you doing, Minister? It has been a long day.

**Hon. George Smitherman:** They're all long. It's going good.

**Mr. Yasir Naqvi:** I'm going to move away from energy—I think we've been covering it quite a bit in detail—and maybe move on to infrastructure, given that there's a lot going on in this regard as well and given the importance of a stimulus package in this current economic climate. I wanted to get some of your views.

There have been significant dollars which have been allocated in this budget for infrastructure—about \$32.5 billion. A big chunk of it is provincial money. Can you explain what that divide is?

**Hon. George Smitherman:** Sure. The government's infrastructure investment forecast for this fiscal year plus next fiscal year is a combined \$32.5 billion, and that accounts for those portions of infrastructure in Ontario that the federal government is expected to contribute to, which is about \$5 billion; \$32.5 billion over two years; \$5 billion of it on flow-through from the government of

Canada and \$28 billion-plus paid for by people from their Ontario taxation. What we have in a stimulus context is pretty much that \$5 billion from the government of Canada.

Of course, we're rolling those dollars out. Last week there was a big focus on post-secondary education, and this week we anticipate having some additional announcements related to stimulus, where we're going to be working in partnership with municipalities.

**Mr. Yasir Naqvi:** That \$5 billion which is flowing through from the federal government: Is that what we refer to as the build-Canada fund?

**Hon. George Smitherman:** Yes. More infrastructure stimulus funds, which totalled just around that amount for the province of Ontario.

There could be some modest elements of build-Canada flow-through on that, but almost all of that \$5 billion that we refer to is related to the infrastructure stimulus investments that were announced in the federal government's budget of January.

**Mr. Yasir Naqvi:** What are the criteria for the infrastructure stimulus fund and the build-Canada fund?

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**Hon. George Smitherman:** In many cases, very similar criteria in terms—well, the Building Canada fund has about five or six different categories to it. So it's quite a complex construct.

**Mr. Yasir Naqvi:** I'm sure.

**Hon. George Smitherman:** But overall, there's a lot of similarity in terms of the kind of eligible partners and eligible projects. The biggest difference is that the funding related to infrastructure stimulus is under very, very strict timelines, which is that it has to be for projects that are completed by March 31, 2011. The government of Canada—and we have supported this position—has been working hard to try and ensure that the projects that are supported in a stimulus context actually occur in this fiscal year or in the next fiscal year.

One primary distinction between some of the stimulus funds that municipalities could apply to and, say, the Building Canada communities component fund, is that in the Building Canada communities component fund, a municipality could not seek funding from the governments of Canada and Ontario for a municipal building, but in the stimulus program, they can. That's the best as I can tell from memory. That's the biggest distinction in terms of eligibility, beyond the issue of the hard date of March 31, 2011, by which infrastructure funds are to be spent.

**Mr. Yasir Naqvi:** How do you ensure that a project will be completed by March 2011?

**Hon. George Smitherman:** Two things, primarily: Ministry staff here in Ontario from a variety of ministries, led by ours, working with a variety of departments in the government of Canada, carefully analyze the projects that are submitted by municipalities or by other partners, with a view towards cash flow and being able to meet those deadlines. In addition to that, those that advance the project, like the president of a college or a university, have to sign a binding attestation that really

gets your attention. So anyone who might have tried to nudge-nudge, wink-wink their way past that deadline really came up against that attestation and said, "That's got some serious binding implication." Accordingly, we're very certain that's helped to temper those who might have had an idea to bring forward a project and pretend that it was more shovel-ready than it in fact was.

**Mr. Yasir Naqvi:** So what are the ramifications? Let's say that you've signed the attestation and you don't meet the deadline of March 2011 in terms of completion of the project. What's the stick here?

**Hon. George Smitherman:** The stick for us is, don't wait to find out. We have to be particularly robust in terms of making sure that people are keeping these projects on track. Our ministry will be involved in helping to establish that through these—what are those agreements called that we sign with the municipalities? Project agreements?

**Mr. Saïd Rafi:** Contribution agreements.

**Hon. George Smitherman:** The contribution agreements will further put pressure on to make sure that those projects are moving forward.

I'm going to put my deputy on the spot. In the circumstances where someone was struggling against those deadlines, have we been able to make any agreement with the government of Canada to ensure that the funds are still protected? What kind of a scenario might unfold?

**Mr. Saïd Rafi:** We're still talking to the federal government in terms of the stimulus funds. For the other funds we have contribution agreements, and jurisdictions would have to demonstrate that they're complying. We will have a tracking and monitoring group as well that will work with, as the minister has mentioned, a broad array of ministry staff around the province to determine whether these projects are being funded, allocated and spent in the manner that they're supposed to.

In addition to that, the eligibility criteria are examined, in the first instance, to determine, beyond the attestation, whether we think, based on knowledgeable staff in other ministries who work with these proponents, they have the resources themselves and the money in their coffers to match their component. Do they have a plan in place? Do they have the necessary environmental approvals, if there are any? So there are a series of checks and balances in place that will both make it accountable and get money into their hands when and where it's needed to create jobs.

**Hon. George Smitherman:** In the early parts of the process, we have to call the bluff of a few of these folks and say, "Come on, get real. You want to build a \$40-million building, but you don't even have an artist's conception of what it's going to look like. It's not going to be so practical." So there's a fair bit of tension in the process right at the evaluative point.

**Mr. Yasir Naqvi:** Can you highlight some of the infrastructure projects that are on the go, in terms of joint Canada-Ontario funding?

**Hon. George Smitherman:** Yes, many, but from the current round of stimulus projects or from earlier rounds of funding—



**Mr. Yasir Naqvi:** Earlier rounds. I know some part of the BCF went earlier, and I'm sure those projects are already on the go—and then some of the different elements of stimulus infrastructure may be coming down the road as well.

**Hon. George Smitherman:** Well, I think the best examples from this current calendar year would be—I believe it was in February that we made announcements on the Building Canada fund communities component: 290 projects across Ontario, just over \$1 billion—one third provincial, one third federal and one third municipalities. This is targeted at communities under 100,000. Just probably, even in the last two, three or four weeks, a lot of those projects have come back in from tender; the tenders have been awarded and those projects would be under way. That's a lot of road-building projects, a lot of water and wastewater projects, and I could give you the whole list that would show you where those projects are situated.

An example of a project where we've had our money on the table for a long time and where the government of Canada is coming into play to put their money forward would be on the expansion, the extension of the Spadina subway line here in Toronto to York University and beyond to York region. This is the project that the third party has been publicly opposed to, but that project will be gaining substantial steam very, very soon, as all of the funding sources are now indicated.

Last week's announcements on post-secondary education will mean that at something like 53 or 56 college and university sites across Ontario, a very, very substantive amount of construction activity will be underway, one would anticipate, within, say, three months from now. I rather anticipate that someone's going to have a story by around September or October that is basically, "Ontario under construction" or "under renewal" or something, because there are going to be literally thousands of projects in play.

**Mr. Yasir Naqvi:** So we should get ready for some happy inconveniences over the summer months.

**Hon. George Smitherman:** We always say, "Look, we have two seasons in Ontario: winter and traffic."

**The Vice-Chair (Mr. Garfield Dunlop):** Construction.

**Hon. George Smitherman:** Sorry, I think "construction," I think "traffic."

I think that's going to be a very big part of the storyline, because we're talking here about infrastructure funds that are shared with the government of Canada, but they're the small amount of the funding overall.

As an example, the Ministry of Transportation's budget is over \$4 billion for this fiscal year—\$4.2 billion in the 2009-10 budget—the largest-ever capital budget for roads in northern Ontario. There is going to be a tremendous amount of construction activity.

**Mr. Yasir Naqvi:** We're talking about a lot of jobs here. Do we have a number?

**Hon. George Smitherman:** We predict that in this fiscal year, associated with the capital build that we have,

it's enough to sustain something in the measure of 146,000 jobs, and that number actually grows next year.

**Mr. Yasir Naqvi:** And that's across the spectrum. We're not just talking about construction jobs; we're talking about architects, engineers, lawyers and whatnot.

**Hon. George Smitherman:** Yes, but a substantial amount of it being the people who actually do the building.

**Mr. Yasir Naqvi:** Yes, absolutely. You did mention the investments in a couple of announcements a couple weeks ago about the knowledge infrastructure projects in the universities and colleges. Can you highlight what the scale of that was, what dollar figures you were talking about and timelines on that?

**Hon. George Smitherman:** Yes. Well, that is a stimulus-oriented program. The government of Canada allocated \$2 billion in their budget. They didn't do a provincial allocation, but we take the view that whenever they have capital dollars, we get 39% at least. So 39% of \$2 billion is \$780 million. We matched that in our budget, and last week, through the two series of announcements that we had in participation—Minister Milloy and Minister Clement; we're moving forward with more than 40, probably closer to 50—45, say—projects at colleges and universities. In the narrow circumstances of five or perhaps six institutions in Ontario that did not get a particular project, they got a very substantial amount of money that they can use for individual projects or for deferred maintenance at their campuses. Since that's all March 31, 2011, the pressure is on for those institutions to turn those projects around very quickly. Again, by the time our young folks go back to campuses in the fall, there's going to be that much more construction activity on those campuses.

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**Mr. Yasir Naqvi:** Do you think, out of curiosity—I mean, we're doing so much construction and the timelines are quite tight—that we may run into a capacity issue in terms of construction companies?

**Hon. George Smitherman:** It's possible. It's entirely possible that it can occur differently in some regions of the province.

But I think the good thing about it is that a lot of the projects that we're talking about here are—of course, we can all envision the \$600-million hospital like the one that we're building in Niagara. That's going to have 20, probably 22, different trades that are part of it. In a lot of the cases, though, with our municipal builds, we're talking about small-scale road projects, sidewalks, curbs, water, waste water and the like. We think that in some of these instances, it's relatively easier to bring new employees to the fore to help to complete these projects, which we could obviously see as very beneficial, given the number of Ontarians who are out of work.

Infrastructure Ontario assists us in taking a look at construction capacity. This is something we're keeping a watchful eye on at all times.

**Mr. Yasir Naqvi:** So the knowledge one, which I was involved in because Carleton University is in my riding

and has been a good beneficiary of that program—I'm very excited about that. That's 50-50 federal-provincial?

**Hon. George Smitherman:** Yes. Well, in some cases, there's usually a relatively modest portion of contribution for those projects from the sponsoring institution. So I doubt that it was exactly 50-50, but you have to pretty much look at the backgrounders that were created that show what the institution is bringing to the table.

**Mr. Yasir Naqvi:** The budget also had \$1.2 billion for affordable housing. What's the process on that funding and timelines etc.?

**Hon. George Smitherman:** I was saying earlier that we might take into our budget a placeholder. An example of that is that we did have a placeholder for the retrofit of social housing, perhaps for the whole envelope. As the program became clearer—and Minister Watson's been in the lead on this, working with his federal colleague, principally Minister Finley, if I'm correct—we went through the Treasury Board process and transferred those funds over to the appropriate line ministry, in this case, Municipal Affairs and Housing. They have the obligation to roll those programs out on the retrofit side and also on the new construction side. One should anticipate that they will be working to also get all of those details farmed out to the individual 42 housing providers. I can't remember what we call those exactly.

**Mr. Yasir Naqvi:** I don't know how much time I've got, Mr. Chair.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got three minutes.

**Mr. Yasir Naqvi:** Three minutes. The last program I want to touch on is the recreational infrastructure fund at RInC, I think it's referred to. How is that different from the infrastructure stimulus fund?

**Hon. George Smitherman:** It is an infrastructure stimulus fund that's targeted at the renewal of recreational facilities in the province of Ontario. Again, the government of Canada had a \$500-million allocation for that. Our proportionate share is \$195 million, so we have \$195 million to match it. Now, they only put out like \$68 million at the beginning, but we made clear that our money is all there.

We've just completed an intake. There are more opportunities for individual municipalities, but in this case also not-for-profit organizations, to make application for these resources. It's a pretty good program. I think it's going to have a strong appetite. It's a \$3-million maximum project; one third federal, one third provincial and a third from the sponsoring organization. And like I mentioned, not just municipalities but not-for-profits and First Nations could all be part and parcel of that.

We are working very diligently with Minister Clement on this. Again, because the timelines are still March 31, 2011, we're working in all instances to turn announcements around as fast as possible to allow people to get on with it. In this case, it's about refurb. You could add on to an existing building, but it's not a greenfield. It's not a new project entirely, so we think that it's probably a little more. It's not as much subject to the construction season

implication that some other projects experience, where you've got to get foundations in the ground by October 10. I'm talking about up in Sioux Lookout or something. That program has yet to roll out, but it should roll out quite soon. I believe we've kept the intake. I actually confess that I don't know the numbers of the applications we had for the cut-off, which was the 28th or the 29th, but there may still be an opportunity for people to submit projects.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got a really quick question?

**Mr. Yasir Naqvi:** I'm fine.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Thank you very much. Mr. Yakubuski?

**Mr. John Yakubuski:** Back to me?

**The Vice-Chair (Mr. Garfield Dunlop):** Yes.

**Mr. John Yakubuski:** Don't forget to get to the EDA reception down in the dining room, folks. They're all waiting for the minister a 6 o'clock. I told them you'd be there at 6 o'clock sharp.

Anyway, where were we?

**Hon. George Smitherman:** You could waive your time and I could go early.

**Mr. John Yakubuski:** I'm going to tell you the shrimp and the beef are very good, so I could almost be talked into it.

But I was asking you about the take-or-pay premise and whether you've actually ordered wind not to be put into the system. I would suspect that you don't anticipate that happening very often, given the fact that the whole purpose behind the act is to see more renewables in the system, not less. Of course I'm surmising that you would have an expectation or plan before you would have proceeded with this. What is the expectation as to the top end, as to what the installed wind capacity would be when you've completed this plan?

**Hon. George Smitherman:** The first thing I would say is that I think maybe you were out of the room for quite a lengthy exchange that I had with the third party representative. A big challenge that we've had in the last few months, where we've had this surplus of supply, is that we've had gas assets producing. So by the fall we expect to have taken a hard look at our energy supply mix and rejigged the firing sequence so as to try and limit these circumstances, as you've mentioned.

I think that when you look at the opportunities that are there with respect to renewable energy and the implementation of a greater proportion of installed wind, there are a few things that you can gain guidance from. You can gain guidance from the fact that we're eliminating coal. But I think that the primary thing we gain guidance from is the amount of transmission capability that we have. That will be the first limiter, if you will, in terms of how much additional installed wind we can have, and that's why we're going to be moving forward quite soon with a directive that will get us building some of the additional transmission capability that's necessary.

**Mr. John Yakubuski:** So you don't have a megawatt figure as to where you would be with respect to wind capacity.



**Hon. George Smitherman:** No, and I think that this has actually been one of the points of debate in the Green Energy Act and it's something that even the third party, which supported the bill, did raise questions about. Some people have looked for targets to be embedded in the Green Energy Act or what have you. I personally believe that a target is actually a cap, and that instead what we've sought to do is create a product, the feed-in tariff, and this right-to-connect principle that is designed to allow our electricity system to respond to the opportunities that are brought forward. So instead of saying the limit of the marketplace here in the province of Ontario is X, in a certain sense, rather than placing that limit from the vantage point that we have today, we create a product that's open for people to come and to build projects within, and every three years, as the IPSP is subjected to its statutory reviews, is the opportunity for whoever is in government to take a look at whether the energy supply mix is working or in need of any adjustment or tweaking.

**Mr. John Yakabuski:** Whether or not you establish a target, which, as you say, could be construed as a cap, there is a theoretical cap on how much wind you could put into the system anyhow, because it is accepted that, at a certain level, reliability is compromised because you cannot dispatch the wind. There is a theoretical cap as to how much wind you could have in the system, unless you could have wind from everywhere getting to wherever you want it, and transmission, again, is the constraint there. So that does become the issue.

Last week, you talked about London Economics International's very comprehensive analysis of the act as being flawed because—go ahead; tell us again, from the point of view of its projections with regard to the cost.

**Hon. George Smitherman:** There is a variety of flaws that are in there, but I think the one that's most apparent is that the London Economics folks have taken advantage of all of the information that's there about cost, including costs associated with conservation programs, but not given one iota of recognition that those very conservation programs will assist people to use less electricity. So I felt that they were pretty good about one side of the ledger but really quite ineffective at capturing the other—and you're the poster child for energy conservation in Ontario, with the 40% reductions that you've experienced in your home.

Our model is, more renewable energy on the one hand and creating a culture of conservation on the other. We think it's possible that most households in Ontario could reduce electricity consumption in the range of 15% to 20%, and we're looking to equip them with the capacity to do that. That obviously has a substantial impact on the bill that they pay.

**Mr. John Yakabuski:** Having said that, the cost of the generation choice will be substantially higher than the generation that we're getting, maybe not today, but in general going, if you compare the feed-in tariff rates for wind, which is at 13 cents, or coal, which we can produce for 4 cents.

**Hon. George Smitherman:** Well—

**Mr. John Yakabuski:** No, no, I'm trying to draw a picture here—

**Hon. George Smitherman:** Yes, but you're wrong already. Can't I try to help you along a little bit right now?

**Mr. John Yakabuski:** No, you can correct me when we get it all out there.

**Hon. George Smitherman:** I want to know your price tag on carbon sequestration.

**Mr. John Yakabuski:** I'm not talking about that right now—

**Hon. George Smitherman:** No, but that's the core of your argument.

**Mr. John Yakabuski:** When we switch chairs, we can talk about that.

Anyway, on the issue of the cost of generation, if you're talking about conservation down the road or even today—what have we got, 887 megawatts of wind in the system?

**Hon. George Smitherman:** More than 1,000.

**Mr. John Yakabuski:** Well, according to the IESO, there are only 887 operating.

**Hon. George Smitherman:** I think it's 1,030, but I'll be happy to check.

**Mr. John Yakabuski:** We can draw that up on the computer. Anyway, we won't split hairs.

Certainly, based on your plan, your desire is to get coal out of the system and get wind and other renewables into the system. So when you talk about the cost changing as a result of conservation, if you have—and you haven't given me an amount, but let's just take a theoretical amount, again, of 5,000 megawatts of wind in the province of Ontario. According to what I can extrapolate from your wish list and what you're even doing today—because the effect of the government's policies on the economy has been devastating, we have a lowering demand for electricity, but we're using every bit of wind that is available. And I do concur with you that the last couple of months have been terrific for wind production.

But if you take that, then the first thing that's going to get shut down is not going to be the wind, at 13 cents, it's going to be coal, at whatever; it's going to be natural gas, at whatever, which is low right now, at approximately \$4 a cubic metre; nuclear, which will be cheaper; or hydraulic, which is cheaper. So we could see a situation where water is bypassing turbines, coal is shut down—you're not going to be able to touch very much of the nuclear, but I am told that there are some concerns with what's happening with some of our nuclear plants; we'll get to that a little later. The first thing you're going to shut down are the cheaper forms of generation, and the ones that are going to be running—because you're going to take every bit that you can—are going to be the expensive ones. So how do you see conservation actually seeing the price lower when the cost of generating those is going to be much higher, because the choice is going to be to keep the renewables running?

**Hon. George Smitherman:** Let me take the easy bit first. If you're using 15% to 20% less electricity—you

know, when I talk to people, they say, "My hydro bill." Not that many people talk about all of the components. So if you look at your all-in bill, and if on a go-forward basis you can find a way to use 15% to 20% less, and your own personal testimony is that you've done 40% less, then obviously—

*Interjection.*

**Hon. George Smitherman:** Well, it's pretty clearly on the record.

**Mr. John Yakabuski:** Oh, yeah. I'm going to bring those bills and show you—

**Hon. George Smitherman:** Obviously, that's going to substantially buffer an individual from the implication of electricity prices.

But I think that in the construct of your argument, there are a few things that I have to fix. Firstly, coal is cheap—for now. Now, let's just pretend that we did have that chair reversal that you spoke about a minute ago. You're going to like this.

**Mr. John Yakabuski:** But we know you don't like pretending.

**Hon. George Smitherman:** Let's just pretend for now, because we'll reverse chairs and it's all part of this fantasy game as we try to tease out a policy from you.

You've got a couple of options. Are you operating in an environment, seriously, where you think, on a go-forward basis—either through some form of pricing associated with carbon, whether it's cap-and-trade or what have you, or through the expensive alteration of a coal-fired plant to sequestration, something that you may favour—that coal is going to be a viable option at four cents? Because this is the premise of your question. That's the first thing I want to highlight there.

We're eliminating coal. That much is a given, and the people of Ontario have supported us—

**Mr. John Yakabuski:** Well, it's a plan. You haven't done so well so far.

**Hon. George Smitherman:** We've done pretty well. In the first four months of this year, it's 45% less electricity produced—

**Mr. John Yakabuski:** Because you've closed every factory in the province.

**Hon. George Smitherman:** Whatever the issue, the evidence is very clear that Ontario's dependence on coal is diminishing very rapidly.

With respect to gas, you've just placed an assumption there that gas-fired generation is inexpensive generation.

**Mr. John Yakabuski:** I didn't say that.

**Hon. George Smitherman:** With all due respect—

**Mr. John Yakabuski:** It's cheaper than wind.

**Hon. George Smitherman:** In most cases, that's not the case.

**Mr. John Yakabuski:** Currently—well, I don't know what kind of—

**Hon. George Smitherman:** Because you've got contracts.

**Mr. John Yakabuski:** Contracts?

**Hon. George Smitherman:** It's not just the pricing associated with the purchase of the gas in and of itself.

We've all seen extraordinary volatility over years, and I don't know where it's going to be a year and a half from now. But let's not pretend that gas is an inexpensive form of electricity generation, because we would be pretending in that case.

In terms of hydro—

**Mr. John Yakabuski:** I thought we were playing "Let's pretend."

**Hon. George Smitherman:** Oh, yes. I know. I'm sorry.

On hydro: I think it's very important to note that hydro, where we can store it—and we have less storage capacity related to hydro than would be ideal, but in those cases, we would look to store it. The point is, what we want to create is a situation where we use the most sensible mix of electricity generation, in the right order. To be honest with you, the experiences of the last month or two have indicated to us that the order is somewhat off because of the circumstances that we've been experiencing related to low demand.

**Mr. John Yakabuski:** You'd have to hope that the experience of the last couple of months is not something we are going to experience long term in this province, or we have already surrendered.

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**Hon. George Smitherman:** We hope very much not, but it is possible, in shoulder seasons, when Ontarians are not relying on electricity for heat or air conditioning, to have baseload demand which is quite low. On a day like today, we're at 17,000 megawatts peak demand. But I don't want to plan Ontario's electricity system for the weather of today, because it could just as easily have been 33 degrees with humidity today, and demand might have been 23,500 or something like that.

**Mr. John Yakabuski:** I'm not disputing that, but I am questioning how you make the leap that because of conservation, these figures are completely skewed. LEI, not us—

**Hon. George Smitherman:** You hired them.

**Mr. John Yakabuski:** We never gave them any direction, other than to say, "Analyze the act."

You told me the other day that you had stuff from your own ministry that would justify the 1% per year and the 50,000 jobs. We haven't got it yet. That can't be something you need to put together; you must have that in a report.

**Hon. George Smitherman:** Are you sure you don't have it yet?

**Mr. John Yakabuski:** No. I got things saying those questions were asked—

**Hon. George Smitherman:** It's being fed in, so certainly—

**Mr. John Yakabuski:** We don't have it. If you could give us a breakdown as to how wrong you believe these figures are, based on conservation—we're talking up to a high of \$46 billion. Is conservation going to take it down to \$30 billion? Is conservation going to take it down to \$2 billion?



**Hon. George Smitherman:** I'm talking about a much simpler construct than 46 billion this or that.

**Mr. John Yakubuski:** But we are talking about it in the framing of the total cost of the implementation of the Green Energy Act between now and 2025.

**Hon. George Smitherman:** Yes, but, with respect, you were talking about that study in the context of what the implications were for the individual ratepayer, and my point is—

**Mr. John Yakubuski:** Up to \$1,200 per year, once the act is fully implemented.

**Hon. George Smitherman:** My point is simple, and I don't know why you're struggling with it so much. Your report analyzes prospective costs, and it had a huge range with some very big variables in the assumption. At the heart of it, they counted the costs associated with conservation programs and put those on everybody's bill, but they gave the same ratepayer not one iota of credit for the reduction in the amount of electricity they're able to use overall.

**Mr. John Yakubuski:** Because we would have to assume. If you—

**Hon. George Smitherman:** You've reduced your own by 40%. We're just suggesting that 15% to 20% is possible.

**Mr. John Yakubuski:** You're telling me that you're wondering why I'm having trouble understanding the point you're making, but if you could actually put that into figures, Minister, and not just say, "Their numbers are wrong because," but say, "Their numbers are wrong, and these are the right numbers because," then I think we could all understand it.

**The Vice-Chair (Mr. Garfield Dunlop):** You've got two and a half minutes to clean this conversation up.

**Hon. George Smitherman:** I think even in the presentation of a report which had the opportunity to issue a simple asterisk that said, "Hey, the gentleman who contracted us to produce the report is on the record in the Legislature of Ontario as having reduced his own electricity consumption by 40%. Maybe we should at least acknowledge that there's an opportunity for other people in Ontario to also use less electricity"—which of course has a big impact overall on what your bill is.

**Mr. John Yakubuski:** We don't know what their personal circumstances were or are.

**Hon. George Smitherman:** So we assume it's nothing, which is what your report did.

**Mr. John Yakubuski:** No, we're not assuming—

**Hon. George Smitherman:** It gave the individual ratepayer not one iota, not even—

**Mr. John Yakubuski:** You must have given an amount if you came up with 1% per year. If we failed to take in the conservation aspect of it, you did not fail, because that's your bailiwick. You need to tell us here in estimates what percentage of our miscalculation is as a result of the conservation part of it. You can't be telling me that these are wrong if you don't know what you've come up with in numbers yourself.

**Hon. George Smitherman:** Firstly, they grossed up a bunch of numbers, as you can see by the variability in the

range of costs. It's your study. Maybe you could tell us: What was the range in total costs that they predicted associated with the Green Energy Act?

**Mr. John Yakubuski:** It was \$18 billion to \$46 billion—

**Hon. George Smitherman:** Okay. So you're going to hang your hat on that?

**Mr. John Yakubuski:** —if energy audit and energy conservation costs are added. Our non-discounted cost is estimated between \$19.4 billion and \$53 billion.

**The Vice-Chair (Mr. Garfield Dunlop):** A quick answer here, Minister.

**Hon. George Smitherman:** I think that the answer was just actually offered by the honourable member, which is to say that you're hanging your hat on a report that had a range from \$19 billion to \$53 billion. What I'm simply saying is that associated with the Green Energy Act is the opportunity for most households to make a substantial reduction in the amount of electricity they use. We think that's between 15% and 20%. We further think that here in the province of Ontario—and we'll look whether the IPSP moves this number at all—we have an ambitious conservation target related to 6,300 megawatts.

**Mr. John Yakubuski:** Speaking of the IPSP—

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, make it quick. You've just got a couple of seconds left.

**Mr. John Yakubuski:** This is not a short question.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay. Next time.

**Mr. John Yakubuski:** When are we up again?

**The Vice-Chair (Mr. Garfield Dunlop):** Tomorrow.

**Interjection:** Tomorrow at 3:30.

**Mr. John Yakubuski:** But we won't be up first.

**The Vice-Chair (Mr. Garfield Dunlop):** No. Mr. Tabuns will have five minutes left tomorrow when he starts.

Mr. Tabuns, we're now over to the third party. We do have to adjourn at 6, by the way.

**Mr. Peter Tabuns:** Going back to the whole question of demand, the IESO said in March that, "Despite eventual economic recovery, electricity demand will continue to decline as the impact of greater levels of conservation combined with a growth in embedded generation take effect." Do you agree that electricity demand will continue to decline?

**Hon. George Smitherman:** I have to be in a situation where those people who are energy planners and have greater expertise are involved in making these forecasts, so I think the OPA is an organization that we have confidence in.

I think we have to be mindful of Ontario's history as well, which is that there were circumstances when we had challenging economic times and where the demand rebounded quite rapidly and surprised quite a few people in the electricity sector. So I think we have to be very conscious of the different projections that folks will make. We certainly expect, because we're so focused on conservation, that regardless of economic circumstances,

that's going to help to assuage demand quite substantially.

**Mr. Peter Tabuns:** Based on all that, do you think it's prudent to make long-term commitments to nuclear power plants when energy demand is falling by over 1.5% a year?

**Hon. George Smitherman:** Firstly, our commitments to nuclear power plants are to ensure that the fleet of nuclear power plants that Ontario has are staggered, which is to say that they're not all necessarily of the same generation, where it would be likely for their useful life to come to an end at the same time. I think that the decision to build new nuclear reactors, which are actually replacement nuclear reactors, is extraordinarily prudent because whether you think peak demand's going to be 25,000 megawatts going forward, 21,500 or 27,500, there's a very substantial amount of room in our energy supply mix for nuclear to be a very important part of that. I actually see the decision associated with the replacement of nuclear units to be impacted very little by the current circumstances related to demand.

It's a 30-year and a 40-year decision. If you ask me, do I see a need downstream 20, 30, 40 years for Ontario to have nuclear capacity and would it be prudent to look for the opportunity to build some of that sooner rather than later, I would say yes to both of those questions.

**Mr. Peter Tabuns:** Based on what analysis?

**Hon. George Smitherman:** Based on the analysis that, at present in the province, we've got installed nuclear capacity at a certain level, something around 13,000. Going forward in the province of Ontario, we think it's important to make sure that we have strong capacity to meet our electricity needs with a continued reliance, in part, on nuclear power, and whatever number you land on, whether it's exactly 13,000, a little bit more or a little bit less, it doesn't discount at all that it's prudent to look for the opportunity to start to introduce into your overall fleet some newer units because our units are at risk of being dated in a period of time.

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**Mr. Peter Tabuns:** But in fact, you're in a situation where demand is going down, Ontario's economy is being restructured—for good or ill, it is being restructured. You've started a program that you're hopeful will introduce large volumes of renewable power and that will result in large-scale conservation. So are you not in fact putting us in a position where you're making commitments that will come to fruition a decade from now, where we will be oversupplied, with a technology whose best-before date has passed?

**Hon. George Smitherman:** I think that you've got to keep a couple of things in mind. Firstly, last year in Ontario, 75% of all the electricity that we used came from nuclear and Niagara Falls—water. Though there has been some reduction in demand, we still have demand and we could still reasonably forecast that five, 10, 15, 20 years from now, we will have demand. We think it's entirely consistent with that that we should make sure, for those times, looking forward, that the nuclear units in

the province of Ontario, which are one part of our energy supply mix, are modern units.

I think that, in a certain sense, as I've mentioned before, every three years, in the context of the IPSP—it's got a kind of mini sunset date that asks that it be reviewed, where you get a chance to take a look at, "What have you learned in the last three years? What new supply has come online? What does that project out to the horizons? Where are you at on decisions associated with Pickering and future refurbishment of other units?"

I think in the context of installed capacity in Ontario, where we've got 33,000 megawatts of installed capacity, we're talking about two new nuclear units at Darlington, which will be, depending on the technology, between 2,000 and 3,200 megawatts of installed capacity. I see very little risk to Ontario's long-term future of having 2,000 to 3,200 units of installed capacity being nuclear units that come into operation 10 years or so down the path. I don't see the risk. I see sufficient demand in the forecast, notwithstanding that, at present, demand is lower.

I think, actually, the questions come every three years, and you say, "Okay, based on what we know and forecasts of demand and the energy supply mix that we're experiencing, the success of the Green Energy Act and other things, we can recalibrate at all of those opportunities." Right now, looking at the nuclear fleet that we have, recognizing that Ontarians remain committed to nuclear power as part of our energy supply mix, I think it's intensely prudent to introduce two new nuclear replacement units at any point that you can get them at the right price.

**Mr. Peter Tabuns:** That raises an interesting question. You've said before, the last time that we went through this question of support, that the 2007 election result provided your government with a strong public mandate to build new nuclear reactors. Can you tell me how, in the last election, your party publicized its intent to build new nuclear power plants?

**Hon. George Smitherman:** The question suggests that the people of Ontario are so unaware of happenings in matters of public policy that they didn't notice the very long run-up and the lengthy amount of public discussion with respect to plans for new nuclear. I think that, to be honest with you, it wasn't a matter relegated simply to the point of a political platform; it was, in fact, a matter taken as a sitting government and part of the context that people had an opportunity to consider in the last election.

I certainly encountered people in the last election who were supportive of the decision that our government had taken with respect to nuclear, and I certainly encountered people who were against it. But I mostly encountered people who were very aware that that was a substantial part of our energy supply mix policies going forward.

**Mr. Peter Tabuns:** In the last election, the word "nuclear" wasn't mentioned in your party's platform, Moving Forward Together. Had you made a conscious decision not to feature nuclear in your platform?

**Hon. George Smitherman:** It wasn't necessary, because it suggested that that was a matter being rele-



gated to containment inside a platform. We'd already taken those decisions as a government, not as a political party. We'd taken governmental decisions in that regard that were extraordinarily widely publicized.

I don't have access to any polling data, but if we did have polling data at the time that said, "Are you aware of the government of Ontario's decision to move forward with replacement units to modernize the nuclear fleet?", I rather suspect that the people of the province of Ontario were very well informed of that. I remember the public awareness associated with that being extraordinarily high. We took that decision, as a government, even before the election, and this is one of the things that the people of the province of Ontario had an opportunity to contemplate and to consider as they made up their minds about who to vote for.

**Mr. Peter Tabuns:** In 2008, WWF Canada did a poll in this province and found that two thirds of Ontarians would prefer to see retiring nuclear reactors replaced with renewable energy resources like wind, solar and hydro, rather than building new reactors. How does that shape your claim that you have a public mandate to build new nuclear power plants?

**Hon. George Smitherman:** I'm part of a government that got elected. WWF is a very, very fine organization that hired a pollster. I did the all-candidates meetings, I went door-to-door, I stood on street corners—a far more consuming process than a public opinion poll. I don't think I suggested that because we had positive results from a public opinion poll I could claim that we had a mandate to do this. We brought this in as a government policy. It was very, very well established as part of our energy track record in planning, and I believe that for people in the province of Ontario who were motivated around issues like that, their level of awareness on it would be at a very, very high level.

**Mr. Peter Tabuns:** In your capacity as Minister of Energy and Infrastructure, have you in fact given instructions to your ministry to ensure that adaptation for climate change is part of the planning for capital spending?

**Hon. George Smitherman:** I'm not familiar with that—

**Mr. Peter Tabuns:** As the climate changes, weather conditions will change. Drought and flood will be more common. Have you instructed your ministry, or does your ministry have plans in place to deal with the impacts of changed climatic conditions for the infrastructure that you're investing in?

**Hon. George Smitherman:** I think that the deputy may have some opportunity to expand on it, but certainly in working, as an example, with the Ministry of Municipal Affairs and Housing, on behalf of municipalities they've identified a wide variety of capital infrastructure programs. Sometimes we put them under the heading of disaster mitigation. So yes, I think that increasingly, there is this lens. I couldn't say it's systematic; I don't know that. But I would say, yes, increasingly, there is this lens where we're looking at our infrastructure expenditures in a way that takes advantage of all that is known and some of what is speculated about in terms of the implications

associated with climate change and the extreme weather events that they're likely to precipitate.

**Mr. Peter Tabuns:** Can you provide us with details on the directives that you have given to your ministry?

**Hon. George Smitherman:** I can tell you right now that I've given no such directive. I merely told you that I can see in the lenses that the ministry is applying that it is part and parcel of the conversation. I think the deputy might be able to offer some additional information.

**Mr. Peter Tabuns:** If the deputy could offer additional information, I'd appreciate it.

**Mr. Saïd Rafi:** To build on the minister's comments, I would just suggest that retrofitting of buildings right through to very substantive aspects of climate change adaptability are definitely part of the activities that we undertake in our capital round tables with every ministry, as part of their submissions. However, I'm unaware, and perhaps you know better than I, of a template, a series of actions that equal climate change adaptability. It's a pursuit. It's not a place in time; it's not a set of initiatives that say, "You can declare victory by undertaking these initiatives and you'll be ready for some other significant or difficult event."

In addition to that, the ministry has presented, on a few occasions, if not several occasions, to the climate change adaptability committee struck by the government, and we continue to receive advice from that committee and seek their counsel. These are eminent people—scientists and others—in their field who have, I think, given the Ministry of Energy and Infrastructure kudos for the activities they've undertaken as well as the influences that has on the government's capital plans.

So we've been guided by both sound research and the evolving nature of climate change adaptation and the requirements that are evolving, because there certainly isn't a formula that we're aware of.

**Mr. Peter Tabuns:** For what it's worth, the World Bank, in their requirements for new projects—and this is as of two years ago—asked proponents to address climate change adaptation issues. For instance, Minister—and it's not an issue for us—if you're building on the shore of the ocean, you build to recognize that the level of water is going to be higher. There were problems a few years ago, I think it was in France, with nuclear reactors, when they found they didn't have enough water in local rivers to cool the reactor cores. So in fact, there are substantial issues around the availability of water and the temperature of that water.

I would like to know if your ministry has—and it sounds like it hasn't—actually assessed the situation and its impact on the infrastructure you're putting in place: roads, buildings, power lines, nuclear power plants, conventional power plants. If you haven't put in place those guidelines, I would ask that you put them in place and report back to this committee about that, because it will in fact affect the viability of infrastructure and power projects over the next few decades.

**Hon. George Smitherman:** I don't know how I report back to this committee exactly, but I'll give the honourable member an undertaking to take a look at how we

might evolve our policies in that direction. I would be open to receiving any additional insights or recommended reading etc. on the subject so that we can take a look at whether there are necessary and helpful enhancements. We're very happy to look at how we might improve the nature of our infrastructure planning. For many municipalities, we know the focus is on flood waters. So that's one theme that's clearly been there, but maybe there are other areas where we need to be more mindful, and I'd be happy to learn more about them.

**The Vice-Chair (Mr. Garfield Dunlop):** Okay, we've reached 6 o'clock, so that will give you four minutes to start tomorrow, Mr. Tabuns, if you can make it back. Hopefully, we can get energy and infrastructure cleaned up tomorrow afternoon.

To the minister and the ministry staff here today, thank you very much.

The meeting is adjourned until tomorrow sometime after 3:30.

*The committee adjourned at 1802.*











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## Assemblée législative de l'Ontario

Première session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 3 June 2009

# Journal des débats (Hansard)

Mercredi 3 juin 2009

## Standing Committee on Estimates

Ministry of Energy  
and Infrastructure

## Comité permanent des budgets des dépenses

Ministère de l'Énergie et de  
l'Infrastructure

Chair: Tim Hudak  
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## STANDING COMMITTEE ON ESTIMATES

Wednesday 3 June 2009

## COMITÉ PERMANENT DES BUDGETS DES DÉPENSES

Mercredi 3 juin 2009

*The committee met at 1636 in room 151.*

### MINISTRY OF ENERGY AND INFRASTRUCTURE

**The Chair (Mr. Tim Hudak):** Good afternoon, folks. The Standing Committee on Estimates is back in session, the estimates of the Ministry of Energy and Infrastructure, vote 2901. There are a total of two hours and 22 minutes remaining. When the committee was adjourned, the third party, Mr. Tabuns, had four minutes remaining in its turn. I understand that we have the agreement of all committee members to take an extraordinary rotation so we can complete the hearings today. This is what I believe is proposed: Mr. Tabuns would have his four minutes held over, and we would then go to the official opposition for 20, the third party for 20, the government for 10, the official opposition for 10 and the third party for 10. Then we're concluded and we'd have our votes. So the good news is, we would complete the estimates today and we wouldn't have to call back the ministry in the summer or the fall. We're all in agreement here? We're all agreed?

**Mr. Lorenzo Berardinetti:** Agreed.

**The Chair (Mr. Tim Hudak):** Okay, terrific. We will do that, then. We will start with the four minutes remaining on Mr. Tabuns' clock. The floor is yours, Mr. Tabuns.

**Mr. Peter Tabuns:** Minister, there was an interesting document left behind, reported by CTV: federal Minister Raitt's discussion with you noting that the Bruce 1 reactor was 324 days late in its refurbishment; Bruce 2 reactor, 433 days late; and the latest IESO report saying that the Pickering reactors aren't due back online until the third quarter of 2010. Can you tell me how many days behind schedule the refurbishment of Bruce 1 and 2 is? In other words, is that an accurate report or do you have a better report on that?

**Hon. George Smitherman:** I have no knowledge of—firstly, I guess I had a busy day, because I don't really know what all the news stories are referencing. I have no recollection of ever being briefed on the matter of the number of days behind on any expected project coming online.

**Mr. Peter Tabuns:** Set aside the article, then, and the CTV report. Do you have information that you can give

us on how many days behind schedule the refurbishment of Bruce 1 and 2 is?

**Hon. George Smitherman:** I don't even know who establishes the timelines at the front end against which you determine that a project is overdue. But I'll take it as a question under advisement and seek to get all available information to members of the committee.

**Mr. Peter Tabuns:** Okay. At the same time, could you tell us if the refurbishment is over budget, and if so, by how much?

**Hon. George Smitherman:** Yes. I'll certainly look to all said information. I guess in this role AECL is like the service provider, but we'll certainly take a look at providing all available information to you.

**Mr. Peter Tabuns:** Okay. Given the questions that are being asked about AECL's future, whether it will remain owned by the government of Canada or sold off, is that having an impact on your assessment of them as a partner in building generating capacity in this province?

**Hon. George Smitherman:** No. I think overall we took quite a positive view to the level of interest that the government of Canada is showing in the future of AECL. Of course, this three-month period or what have you is probably a source of some uncertainty for particular individuals, but overall, we take the view that it's sometimes a feeling in the sector overall that maybe governments or the government haven't always been equally responsive, if you will, to AECL and their needs etc. So to see the level of attention that it seems to be garnering from the government of Canada is something that we see as positive overall. Our relationship with AECL is as their best customer—20 of 42 reactors or something to that order of magnitude. It's a long-standing relationship, and accordingly we see the efforts that are being contemplated as a good sign of interest on the part of the government of Canada.

**Mr. Peter Tabuns:** But are you concerned that their sale by the government of Canada may affect the stability of the corporation in the future, given that you're looking at purchasing some very significant investments from them in terms of nuclear reactor capacity?

**Hon. George Smitherman:** I would say two things. I'd say no, we're not seeing a threat to the project in that context. First, we've been given every assurance by the government of Canada that the team from AECL that has been involved in making a proposal for the procurement of replacement units here in Ontario is going to remain active as a group—so continuity from that context.

No, we didn't see the steps that the government of Canada was taking as anything that was particularly challenging or problematic in the context of their ability to provide product here in the province of Ontario.

**The Chair (Mr. Tim Hudak):** That will conclude that brief round. Now, according to our rotation, we'll go to the official opposition for a 20-minute segment. Mr. Yakubuski.

**Mr. John Yakubuski:** Thank you, Minister, for joining us again today. Where we left off yesterday, we were talking about wind turbines and developments and the costing of the Green Energy Act. You seemed to be speculating about where you think the cost of other forms of generation are going to go.

You have escalator clauses built into all of your FIT rates, so your expectation is that all of those costs are going to rise as well, I would gather, because steel's not going to go down in price, and all of the components that go into wind turbines—we know that they're essentially a physical unit. It's not about people and expertise. Once the developments are running, they run on minimal personnel, so the cost of erecting them is likely going to continue to rise unless we see all of the value and the cost of the components in those things stopping.

You're speculating on the price of other forms of generation. Where do you see the price that you would expect or project that you would be paying for wind over the next three, five, 10 years?

**Hon. George Smitherman:** On the first part of your question, where you said I was speculating on the price of other forms of electricity, I still think that, whether in this forum or otherwise, you owe people a more honest answer in terms of your policies around either continuance of coal or carbon sequestration, so I might just say to the honourable member, don't you agree that, in any jurisdiction, the transformation of existing coal-fired plants to some form of carbon sequestration is going to be costly, that we're going to have to bear some cost in the price of electricity produced by coal? Because that's really the point we were talking about.

**Mr. John Yakubuski:** I thought we were asking the questions.

**Hon. George Smitherman:** I thought we were engaged in more of a discussion than that.

On the issue of cost of living, it is true that in the proposals that we have that have been the subject of consultation on the feed-in tariff, 20% of CPI would be available as a cost escalator on feed-in-tariffs. Our starting point on wind, I think, was projected—and again we haven't firmed these up entirely, but the OPA has been working on them—as 13.5 cents, with a prospect of 20%—one fifth of CPI being available as a cost escalator on that. Recognizing a minimum of a 20-year life of an agreement, costs do march forward.

**Mr. John Yakubuski:** Have you read the LEI, London Economics International, report?

**Hon. George Smitherman:** No.

**Mr. John Yakubuski:** Have your staff read it and briefed you on it?

**Hon. George Smitherman:** I'm sure some people have read it, yes. The extent to which they briefed me on it—I looked at the executive summary, the first piece that you put up, circled three or four areas that I thought were particularly weak and asked questions, when you put the second piece in, whether the weaknesses had been addressed. That's where they mentioned to me some of the adjustments that were made in the calculation and also as an example that they've left behind any credit to the consumer for lower use on the conservation front.

**Mr. John Yakubuski:** Other than the conservation part of it, which you identified yesterday, what other parts do you feel that the—are they statistically or factually wrong in the data that they're using?

**Hon. George Smitherman:** I think a report like that that's got a range from \$19 billion to \$53 billion can neither be considered right nor wrong, because at the low end of their cost estimates, they're projecting increases in and around the 2% range, whereas I think we said 1.3%. So—

**Mr. John Yakubuski:** Are you going to provide us with that information?

**Hon. George Smitherman:** Yes, we have a lengthy list of things that we're obligated to provide you—

**Mr. John Yakubuski:** I thought maybe we'd get it by the time today's estimates came around so we'd have a chance to actually question you on it. No?

**Hon. George Smitherman:** I don't know what the status of all that is. There's rather a lengthy list of things.

**Mr. John Yakubuski:** That would have been helpful, that's all.

**Hon. George Smitherman:** To your core question: When you see a study that comes up with a range that says it could be between \$19 billion and \$53 billion, you can't even really evaluate that too much because there's nothing to pinpoint. That's an extraordinary range.

**Mr. John Yakubuski:** But if you looked at the data they used, which is stuff out of the only IPSP that is still in existence, so they worked off that—I think you wrote Mr. Andersen last September and told him you were not going to be proceeding with that IPSP, but we still don't have another report and it's just a couple of months away from being a year. That certainly is an issue in itself, I would think. Having said that, in that report they used stats that were provided by the OPA, by the IES and by other agencies that are active and trusted in the electricity forecasting business. Is there something in this report that you say London Economics International is factually wrong in the data that they used?

**Hon. George Smitherman:** Top of mind—because I answered your question already, did I read it? No. Have I had a briefing on it? No, but I've picked up little snippets here and there. Here are a few things by recall. One is that they created a monetary cost associated with a non-monetary item related to planning. As an example, when you look at their big \$53-billion list, they put a cost associated with the alterations in the planning module. I can't remember the number but I think it was \$2 billion or something. Another mistake that they made was that



they took the costs and apportioned those only on the household portion of ratepayers, not across the breadth of the base of ratepayers in the province of Ontario. Those are just a few top-of-mind examples of some of the mistakes that were imbedded in that report, plus the one that I mentioned yesterday, which is that they attribute all of the costs associated with conservation programs and give the ratepayer no credit for the opportunity that those programs would lead to in terms of actually using less electricity.

**Mr. John Yakabuski:** I don't know what I can actually ask of you at one of these committees, but I'm going to ask this: Given that you haven't actually read it and your staff hasn't actually briefed you on it but you've picked out little things, it's sort of like reading a book every 35th page and thinking that you can retell the story. But if you would—

**Hon. George Smitherman:** The credibility of the report was established by the wild fluctuation of \$19 billion to \$53 billion.

**Mr. John Yakabuski:** I have a question coming. If you could take this report, your ministry, and analyze it and get back to the committee and break it down and tell us where and why and to what degree you would be in disagreement with the report so that we could actually quantify so we could then actually be able to—because you haven't provided us with a detailed analysis of how you're going to get to the amount of energy that you want and at what cost other than just saying, "It is our expectation that this is going to add about 1% per year to the hydro bill." So if you could take that report and break it down and analyze it in a piece-by-piece fashion so that we could actually receive valid and worthwhile information from the ministry with which to look at the report from a dissenting view ourselves.

1650

**Hon. George Smitherman:** Firstly, it's not my obligation to—

**Mr. John Yakabuski:** No, we're asking you because this is estimates. We're asking you to do this for us. As I said, I don't know what I can ask him. If that's out of line, we'll move on to something else.

**The Chair (Mr. Tim Hudak):** You've put the question. You've asked if he wants to respond to the report. The minister can—

**Hon. George Smitherman:** Firstly, it's not my obligation to take ministry resources and use that to create an analysis of a piece of policy work that you ordered up. So we're not going to do that.

It's not fair to say that we haven't passed along information to you. I walked across the floor of the Legislature and gave you the cost accounting on our expectations of five—

**Mr. John Yakabuski:** Three numbers.

**Hon. George Smitherman:** Well, more than three numbers, but if that's all that you took from it.

It's based on an expectation—please keep in mind that the model that we've developed here of feed-in tariff, as we've had a conversation through this estimates process,

is not about creating a target or a cap with respect to how much renewables come online. The message was sent that we want to have more renewables in the province of Ontario, and we leave it to the communities and to project proponents to respond, either a lot, a medium amount or a little bit. And we don't know exactly what that is.

For sure, it's an estimate, a \$5.3-billion projection in the first year, based on a certain number of assumptions which were embedded in the information that I provided to you.

Another example, where the London Economics work got a little bit challenging—and I think they made some improvement, I gather, in the second go-round from the executive summary—is that they did not treat capital investments the way that they are actually treated in the province of Ontario, as relates to their amortization and length of life. On transmission lines, as an example, they took the capital costs and made the assumption that the ratepayer pays off the capital costs in a shorter window of time, therefore with greater financial impact than the way that it actually occurs, which is a longer amortization. So it's part and parcel of the construct that London Economics used that was incorrect.

But I think, interestingly, when you take a look at their study, at the low end—again, it's \$19 billion to \$53 billion. If someone asked me a question and I give an estimate, and I say, "Well, it's going to be somewhere between \$19 billion and \$53 billion," well, right there I'm on pretty shaky ground in a credibility sense. But if you look at the low end of their projections, they see rate impact increases of somewhere in the 2% range. Well, I said 1.3%. So what is the range of the argument now?

**Mr. John Yakabuski:** When you talk about that range—because there is no cap on how much generation could be brought into the system under your Green Energy Act—what LEI did was give three scenarios. When you say the range is broad, in fact it is, because they're not making the decisions as to how much renewable energy is going to be brought online. But they gave three scenarios. One was a low, one was a mid-range and one was a high, and they were based on a percentage of the IPSP that currently exists, even though I know you've said that you're not using that one. But they used the numbers based on that. You want something that you can work with, so there's a high, a mid and a low.

Now, you talked about amortization. You have said in speeches, when you have been challenging the LEI, that you use the figure of 50 years for transmission amortization—in the House, in Hansard.

**Hon. George Smitherman:** Forty years.

**Mr. John Yakabuski:** So what is the actual amount?

**Hon. George Smitherman:** As I understand it, as I've sought to understand it, there are established accounting rules associated with the amortization which are established on the basis of the pieces of equipment that are in play. But at no time has the model ever been, as it was characterized by the LEI study, that you pay for it on a cash basis within the period of time that a project is actu-

ally constructed. That was the assumption that was embedded in the first go-round of the LEI work and used to—

**Mr. John Yakabuski:** And nowhere is it 50 years, is it, Minister?

**Hon. George Smitherman:** Well, I don't know that. I don't know that to be the case.

**Mr. John Yakabuski:** Buy you used that figure in the House.

**Hon. George Smitherman:** You said, "And nowhere is it 50 years?" and I said, "I don't know that to be the case." I believe it was 50 years and, in other circumstances, 40. The point is, it's an amortization model determined by accounting law, whereas the study that you purchased actually took the view that these things are paid for on a cash basis. The big difference, of course, is that if a ratepayer is going to be responsible for an apportionment of a capital investment, that impact is over a lengthy period of time—

**Mr. John Yakabuski:** We understand that.

**Hon. George Smitherman:** You understand that now, but the report that you purchased didn't understand that from the get-go.

**Mr. John Yakabuski:** Perhaps we could ask the deputy if they could—

**Hon. George Smitherman:** We'll get you the whole list from Hydro One—

**Mr. John Yakabuski:** But maybe for the record, he could tell us now what parts of a transmission grid, for example, are amortized over what length of time.

**Mr. Saad Rafi:** I don't have that at my fingertips, but clearly there are different components that go into the grid, and in terms of their asset life they're not amortized at the same period of time. But they're long-life assets, so—

**Mr. John Yakabuski:** Are some of them as low as 25 years?

**Mr. Saad Rafi:** I don't have that at my fingertips; I don't know. I think the fundamental point is, the original information indicated that at time of in-service, the ratepayer was paying that cost at in-service—that is not how both the regulator and how these assets are treated from an accounting point of view. Those costs are apportioned over the asset life, and that's how the regulator assesses the capital plan and the capital outlay, and they give the rate base for the transmitter.

**Mr. John Yakabuski:** So when you're talking about the cost overruns, for example, at the Niagara tunnel, are you going to be amortizing that over 90 years?

**Mr. Saad Rafi:** On the principal, that would be correct. I think there is an accounting treatment that suggests that after a certain period of time—you wouldn't go to 90 or 100 years, but I think 60, 65, 66 would not be unreasonable. I'm not an accountant. Like I said, I don't have the breakdown of everything that goes into a transmission project, in terms of the capital assets and what their asset life is.

**Mr. John Yakabuski:** If you took, for example, at the \$600-million or \$700-million cost overrun at the Niagara

tunnel—obviously Strabag is not waiting 90 years to get paid; they're not going to take a monthly cheque or whatever, so there is a financing cost involved. I don't think we're talking 90 years here, but what would be the total cost, then, of that project and the total cost of the overrun—

**Hon. George Smitherman:** I have to correct your record, because you're repeating something that you've said that I mentioned yesterday was inaccurate. There's an upper limit that's established in terms of the cost of that contract. That's the number that you keep quoting as a firm number. I do think it's important, recognizing that the project will be ongoing yet for a period of time, to recognize that what we've sought to do is give everybody the best information available in terms of the maximum cost of that project. You've accepted that as the final price and you've now, today, inflated it by at least \$100 million. I think that's a little bit unhelpful to the discussion.

**Mr. John Yakabuski:** I'll just take my chances at the casino and bet that it doesn't come in under budget. Given the record of this government, I'm sure that I'm on pretty safe ground there.

Let's just, for the sake of argument, assume that it does come in at the \$1.6 billion. What would be the total cost of financing that as well?

**Mr. Saad Rafi:** The financing is in that number; so is contingency.

**Mr. John Yakabuski:** Then you do know how long you're amortizing it.

**Hon. George Smitherman:** We can find out what the length of amortization is—

**Mr. John Yakabuski:** Well, if you know what your financing costs are, you know how long you're going to be paying it.

**Mr. Saad Rafi:** But how it's treated in the rate base does not necessarily align with that statement. So I'm afraid I don't follow you; sorry.

**Mr. John Yakabuski:** If you know what your total costs are going to be, and the government is going to have to carry it—

**Hon. George Smitherman:** The government?

**Mr. John Yakabuski:** Strabag; well, somebody, OPG, is going to carry it—all the taxpayers—for X number of years because the contractor gets paid upfront when the job is done to satisfaction. So you must have calculated that.

**Mr. Saad Rafi:** I myself, or the ministry, have not done that calculation. It's not our responsibility; it's OPG's. I'd have to consult with OPG to find out how they made that case in their capital plan to the OEB, the economic regulator.

1700

**Mr. John Yakabuski:** Okay. How are we doing?

**The Chair (Mr. Tim Hudak):** About a minute thirty.

**Mr. John Yakabuski:** One thing that we talked a little bit about yesterday, but then we moved on to something else because we had a timing issue as well, was, what is the figure that the IESO has come up with or



has used to determine at what level they have some challenges with regard to backup generation? How much wind can they put into the system without having to concern themselves with backup generation? What percentage of our—

**Hon. George Smitherman:** I don't understand the phrase "backup generation." Do you mean surplus generation?

**Mr. John Yakabuski:** Running reserves or whatever.

**Hon. George Smitherman:** I think a formula that obviously evolves by the day in terms of overall demand is the most crucial element of that. I mention, again, the lengthy conversations that we had in the earlier days of estimates, where we were working to try and improve the firing sequence for all of those various forms of energy that we have, because as we mention, in the periods in the last few months where we've had this surplus circumstance, part of our challenge has been that we've had gas assets fired up and producing electricity that overall could have been saved for a role that addresses only reliability. So through the course of the summer, we'll be working with the IESO to make improvements in that circumstance going forward. As we've mentioned, this isn't a circumstance that we've seen in Ontario since 1992. So I think that's the best answer that I could offer the honourable member.

**The Chair (Mr. Tim Hudak):** We'll have to limit it at that for the time being. That concludes Mr. Yakabuski's time. Now we have 20 minutes to the third party.

**Mr. Peter Tabuns:** Moving away from energy briefly to the budget and infrastructure spending, on page 10 of the provincial budget there's a table of planned infrastructure spending for 2009-10 and 2010-11, by sector. Including federal money, it's \$15 billion this year and \$18 billion next. Can you provide a project list that shows how these dollars will be spent?

**Hon. George Smitherman:** Can I provide a project list that shows how these dollars will be spent?

**Mr. Peter Tabuns:** Yes.

**Hon. George Smitherman:** I'm sure that we could overwhelm you with information on these topics, and we'll be very happy to assemble that for you. But I should also mention, just for the ease of your ability to determine that, ours to track it and also for the public to be more involved, we are also working on some web-based tools that will allow people in any community to determine where these—a tracking mechanism for all these infrastructure dollars. But yes, as an example, we could easily provide you, and will, with a list of all the hospital projects that are embedded, if you will, within these proposed expenditure lines. In some cases, there will be an allocation that is yet greater than the projects that are indicated. This would be examples of opportunities where we have to bring more projects into play. But yes, we'd be happy to get you lots of information on that front.

**Mr. Peter Tabuns:** That would be great. Can you tell me when you could get that to us?

**Hon. George Smitherman:** Just as an example, this last week we allocated \$780 million, approximately, of

provincial resources for post-secondary education. We have a backgrounder that we can provide which shows that allocation. In the next few weeks, working with the government of Canada, we'll be rolling out substantial additional—hundreds, if not thousands of projects in a stimulus context. Those backgrounders will all be available. So we can give you some now, and over the course of the next number of months that situation will continue to be informed. So I'm sure we could start giving you some of this information quite soon, keeping in mind that the picture will be fleshed out over the course of the next number of months.

**Mr. Peter Tabuns:** Okay, thank you. Can you say how much of the \$12.7 billion you expected to get out the door in the first quarter of this year is committed?

**Hon. George Smitherman:** I don't think that we've been operating in a context of saying "first quarter," but let me leave it to ministry officials to try and provide whatever information is available to the nature of that question. I'm not sure that our models have got that down to quarterly flow. Please keep in mind that announcements are one thing and shovels in the ground and dollars being spent are another. The deputy might be able to assist in providing some information about how we pay, as opposed to the government of Canada. Some pay on invoice, some pay in advance. I'm not sure if that might be somewhat helpful to the honourable member.

I put you on the spot there, because I can't remember.

**Mr. Saâd Rafi:** That's fine. The minister is quite right: allocation versus actual spend. So for capital dollars, we wouldn't necessarily indicate by quarter what that spend is. You have an expectation, especially for the stimulus funds, that there is a fairly even flow and spend rate of the monies in 2009-10 and 2010-11, as part of the requirements for the federal government's stimulus program, which we have also adopted and followed.

For the remainder of those funds in 2009-10 and 2010-11, they go beyond the two-year, so there is a rolling plan, if you will, that is on a three-year fiscal framework that is, as you well know, in every budget.

So you make those adjustments based on the spend rate of that project. In large infrastructure projects, the spend rate can vary, depending on unforeseen issues and circumstances. The examples that have been given are akin to home renovations, especially when it comes to non-greenfield-type projects and, in some cases, greenfield-type projects, as we've learned in our previous discussions on other questions.

So I will have to check with the staff as to whether we break down quarterly spend. But those are some of the factors that impact what I call the spend rate of the money.

**Mr. Peter Tabuns:** My interest is in knowing the total value of projects that will be starting out over the next half-year, that have happened over the first quarter and then over the next half-year, to get a sense of people being put back to work in the stimulus effort.

**Mr. Saâd Rafi:** Right. So if I could just add, Chair, the net of the stimulus funds in the 2009-10 and 2010-11

fiscal years, I think it's important to keep in mind that since it's a rolling plan, those monies are from three years previous and so on, depending on the build-out time frame of the project.

So if it's an edifice, expect a 24- to 36-month, I would say, a 30- to 36-month build-out. If it's a four-laning of a highway, depending on its segment and depending on the nature of the segment, it could be a longer build-out.

It's hard to say exactly, then, project by project. That's why, when we give job retention and job creation numbers, they are based on Ministry of Finance calculations of X thousand jobs per billion dollars spent.

It's hard to determine at any one given time how many craft workers there are at a particular job site on a particular infrastructure project.

**Mr. Peter Tabuns:** Okay. I'd like to ask you about transit. I understand that \$500 million of the 2009-10 transit dollars will be going to GO Transit. Is that correct?

**Hon. George Smitherman:** The governments of Canada and Ontario made an announcement of a joint contribution of half a billion dollars toward a variety of GO Transit projects which are enhancing the capacity for ridership. But there is substantial additional capital investment in the government's budget related to GO Transit, particularly, as an example, around land acquisition and initiatives on the Georgetown GO line. I'll start, at least, at that point.

**Mr. Peter Tabuns:** So you've allocated half a billion, provincial and federal governments together. Minister, you're saying that there are additional funds going to GO as well, for acquisition of land?

**Hon. George Smitherman:** Yes. The half a billion dollars that I mentioned is actually related to funds that are joint program funds between the governments of Canada and Ontario that are targeted at transit. But beyond that, embedded in the core transportation budget, would be capital investments related to transit.

So if you look at that list that you referred to us, an element of transportation—the line item that is noted here—would be for transit-related projects. In addition to that, some stimulus funds and other shared funds could also be allocated to transit projects.

**Mr. Peter Tabuns:** Okay. I understand that there's another billion that will be allocated for transit.

**Hon. George Smitherman:** Say again, please?

**Mr. Peter Tabuns:** There's a remaining \$1 billion to be allocated to transit, outside of the \$500 million going to GO.

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**Hon. George Smitherman:** The overall allocations related to transit—I'm not sure where your reference to \$1 billion is coming from.

**Mr. Peter Tabuns:** The notes I have indicate there was \$1.5 billion going to transit, half a billion going to GO.

**Hon. George Smitherman:** I'm not sure which notes you're working off. I'm going from memory here, but I believe that the costs and acquisition alone associated

with the Georgetown line is a project in the multi-hundred-million-dollar range. If I understood better the nature of what you were getting at, I will do my best to provide all that information that you're requiring.

**Mr. Peter Tabuns:** I'll go at it in another way. Can you tell us what you're spending in other cities like Ottawa and Hamilton for transit upgrades?

**Hon. George Smitherman:** Hamilton is part and parcel of Metrolinx. That's for the greater Golden Horseshoe and Hamilton, and of course GO Transit is serving Hamilton.

The announcements that were advanced related to transit infrastructure that the Premier participated in here are Metrolinx initiatives that are in Toronto and other parts of the greater Golden Horseshoe, so there's an element of it there. In some cases, in places like Ottawa—and Kitchener-Waterloo would be another example where there has been a lot of talk about transit, local municipalities just kind of sorting their way through what their first phase would be. We've indicated some preliminary obligation, but we'll be working closely with the Ministry of Transportation to establish the overall amount of provincial contributions going forward.

So there is some of that transit stuff that would be fleshed out quite substantially over the next number of months. It will be our obligation as a ministry, as we're developing the government's 10-year horizon, to make sure that all of those priorities related to transit are embedded in our long-term infrastructure plan. Most transit projects, as you know, are not stimulus-oriented insofar as—at least the big transit projects—

**Mr. Peter Tabuns:** They're not fast.

**Hon. George Smitherman:** —we're not able to do them quickly, but there are a number of bus-ways and other initiatives that would be part of stimulus rollout and announcements that would be forthcoming even in the next month or so.

**Mr. Peter Tabuns:** Can you tell us what will be allocated to Ottawa?

**Hon. George Smitherman:** I can't tell you what will be allocated to Ottawa exactly, but I could tell you that we've had on the table in Ottawa a \$200-million commitment for many years that Ottawa has not, so far, had call for, but we're of course working very closely between the Ministry of Transportation and officials in the city of Ottawa to evaluate their first-phase proposal which, if I recall properly, is an estimated cost of \$1.5 billion to \$1.6 billion. Certainly officials of the Ministry of Transportation are in very close contact at present with officials from the city of Ottawa to zone in on exactly what would be appropriate from a standpoint of provincial contribution and what would be the appropriate timelines in terms of when those resources would flow.

We've been very clear to say that we want to be a strong partner in helping to make sure that that much-necessary and long-awaited transit initiative in Ottawa takes flight.

**Mr. Peter Tabuns:** Maybe I can go back, Minister, because happily someone brought down the budget to me. Page 10—



**The Chair (Mr. Tim Hudak):** That's page 10 of the budget papers?

**Mr. Peter Tabuns:** Yes—shows “Infrastructure expenditures.” Sector: Transportation, transit, \$1.687 billion.

**Hon. George Smitherman:** Oh, okay. You were saying \$1.5 billion, so that's what threw me off. Okay, \$1.687 billion. Yes, we follow.

**Mr. Peter Tabuns:** And then the following year, \$1.5 billion. I understand that out of that, \$500 million is going to GO.

**Hon. George Smitherman:** No, the \$500 million for GO Transit—the announcement that the Premier and the Prime Minister made—I believe I'm right to say, is supplementary to that figure.

**Mr. Peter Tabuns:** So it's outside that figure?

**Hon. George Smitherman:** Yes, in addition to that figure—

**Mr. Peter Tabuns:** Okay.

**Hon. George Smitherman:** —as our stimulus announcements over the next little while will also contain quite a few transit-oriented initiatives which will also be on top of that amount. But we can work to provide you with a list of what is to be captured in that \$1.687-billion number.

**Mr. Peter Tabuns:** That would be great; and if we could have it for the \$1.505-billion number as well?

**Hon. George Smitherman:** For the next year? Sure.

**Mr. Peter Tabuns:** In the infrastructure table, there's \$1.9 billion for a sector known as “Other.”

**Hon. George Smitherman:** This is a catchall. I could get you a list of the things it would include—

**Mr. Peter Tabuns:** That would be good.

**Hon. George Smitherman:** —but I believe it could include the government's own buildings, as an example. I think that one of the things you probably noticed is that we've initiated this Toronto accommodation plan, investing in the Ontario Realty Corp.'s properties to make them more energy efficient. I'm not sure, but 222 Jarvis, a building we intend to take to LEED Gold, could quite likely be an example of a project that is being captured in that “Other” list. We'll find out for you what all the buckets are that are rolled up in that number.

**Mr. Peter Tabuns:** If you could give us a breakdown for what “Other” encompasses, that would be useful.

**Hon. George Smitherman:** Sure.

**Mr. Peter Tabuns:** The budget says that the infrastructure funding will support 150,000 jobs in 2009-10. I assume this is derived from a model; in fact, there was some reference to that a few minutes ago. Can you give us that model, so we can see how many of these are direct construction jobs and how many are indirect?

**Mr. Saïd Rafi:** The model is an extrapolation that estimates, so I'd need to verify this, but I recall a number of 9,700 jobs per billion dollars invested. That is a conservative estimate; it doesn't include multiplier effects, which get into quite spurious calculations that we've seen in other jurisdictions, certainly south of the border. So if you're comparing it with numbers in other jurisdictions,

and we have, these are numbers that we rely on from the Ministry of Finance.

**Mr. Peter Tabuns:** So—

**Mr. Saïd Rafi:** So 9,700 to 10,000; it depends on the sector. Pardon me for interrupting.

**Mr. Peter Tabuns:** No, go ahead.

**Mr. Saïd Rafi:** Just to conclude, the multiplier in transportation construction, for example, would be a little lower than in different types of construction because of the nature of that building.

**Mr. Peter Tabuns:** Right, but you've obviously done the calculation, and you've looked at the amount of money you're going to spend. You take those figures saying what you would normally generate in four-laning a highway and you've done a calculation. Could we see those calculations?

**Mr. Saïd Rafi:** Sure. As I said, it's fairly straightforward calculus.

I believe you had a previous question.

**Mr. Peter Tabuns:** Yes. I asked about the Green Energy Act a few lifetimes ago.

**Mr. Saïd Rafi:** They were person-year employment in the case of infrastructure, retained and created—

**Mr. Peter Tabuns:** That makes sense to me.

**Mr. Saïd Rafi:** —so I can't give you a breakdown between them.

**Mr. Peter Tabuns:** I understand that, but person years of employment would be fine. I'd just like to understand how you calculated that, and if it's a very straightforward mathematical model, that's fine.

**Mr. Saïd Rafi:** Okay.

**Mr. Peter Tabuns:** Ninety-seven hundred times the number of billions, and then we're there.

**Mr. Saïd Rafi:** Yes, exactly.

**Mr. Peter Tabuns:** P3s.

**Hon. George Smitherman:** We don't do P3s; we do alternate finance procurement. What is a P3? It's a very different model.

**Mr. Peter Tabuns:** Hansard will never fully capture that exchange. Whatever name you want to call private financing of public infrastructure, can you tell me the average cost of borrowing that the private sector is paying on these public-private partnerships or the alternative funding model, whatever term you want to use?

**Mr. Saïd Rafi:** That will vary depending on the project, because the prime in a consortium would be the one that would be—or the financier, depending; it usually is the prime. It will depend either on their credit rating, if they're publicly traded, as you would know, or on their ability to finance based on other features of their organization. So the financing rate or the cost of capital will vary project by project. So there is not an average rate; however, it is compared against the government's cost of capital. So that number fluctuates, and today's cost of capital to government is a little higher than it was eight months ago.

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**Hon. George Smitherman:** In a value-for-money audit?

**Mr. Saâd Rafi:** Yes. And that rolls up, perhaps as a portent to other questions, into a value-for-money calculation. So the cost of risk transfer is calculated based on a probability and severity assessment that is done and is informed by all the risk criteria for a capital construction project for buildings versus civil infrastructure—very different risk profiles informed by leading engineering firms.

Infrastructure Ontario, the agency that does these projects, will take those, risk by risk, assess them against that project and the risks that are being transferred based on the client, meaning the sponsoring entity—a hospital, the Ministry of the Attorney General if it's a courthouse, etc.—and will determine what risk can be transferred and logically accepted by the private sector, quantify those risks, and that gets factored into the value-for-money assessment along with the cost of capital.

**Mr. Peter Tabuns:** I've had that explanation before. What I'd like to go back to is this: What is the difference in the cost of capital at this point between what the province of Ontario would be paying and what these private consortia are paying?

**Hon. George Smitherman:** I think what we sought to do was just to make sure that others who are paying attention to this would recognize that that is one of several factors that are part and parcel of a value-for-money audit. I'm not sure; do we have information around the nature of those costs of capital?

**Mr. Saâd Rafi:** I think the answer is that it varies, project by project. I think that putting a number to it would do a disservice to the competitive process, which forces the most aggressive and appropriate cost of capital for that consortium versus the other versus the other. To say it's X amount of basis points different from the provincial cost of capital would allow me to step into a discussion that suggests these projects are simply about the cost of capital. The point I was trying to make earlier is that that's not something I could support.

**Mr. Peter Tabuns:** I understood the point you're making—

**The Chair (Mr. Tim Hudak):** We'll have to conclude at that point, Mr. Tabuns. We're past your 20 minutes. You will have one final 10-minute segment.

As a reminder, folks, we have 10 minutes from the government, 10 minutes from the official opposition and 10 minutes from the third party, and then we conclude with our votes.

Mr. Delaney, 10 minutes.

**Mr. Bob Delaney:** I'd like to chat with the minister for a brief bit about time-of-use pricing, and I guess I want to begin with an anecdote on that. We bought a new home, and I got to know the people at Enersource Hydro Mississauga pretty well. They came out and installed the first smart meter in Churchill Meadows in my home. They've sent me printouts that I've actually found quite useful in terms of determining what our usage patterns have been.

I guess the long and short of it is to ask what the thinking has been for the rollout of time-of-use pricing.

Speaking in terms of Mississauga, how will the community know when its time to implement time-of-use pricing is up?

**Hon. George Smitherman:** We had the chance over at Toronto Hydro—the mayor and officials from Toronto Hydro were there—to roll out provincial time of use. In the province of Ontario today, there are fewer than 50,000 homes, and in some cases small businesses, that are on time-of-use, primarily in Milton, Newmarket and Chatham-Kent. Those have been our pilot sites. Over of the course of the next year, till June 2010, we anticipate going from 50,000 to a million households.

In Toronto's case, as an example—I will try to find out where Mississauga is. We typically have 13 of our larger municipalities. What we anticipate is that in advance of any person transitioning on to time-of-use, they would have substantial engagement from the local distribution company and, in addition to that, opportunities to come to sessions and learn more about it, and also localized advertising. Also, anticipate province-wide advertising on this basis to help inform people that we're moving in the direction of giving people more information so they can understand that the commodity of electricity has alterations in its value through the course of the day based on demand.

I don't know where Mississauga and Enersource figure in that first year, but in Toronto, they're going to choose folks at random across the city and will be working to inform them before it comes to life.

I'll see if I get some more information about the Mississauga situation.

**Mr. Bob Delaney:** Okay. I've actually had a lot of success in explaining it simply because I've been able to see some of the data, and to people who've asked how will this time-of-use pricing work, I say exactly like the way you pay for your telephone service. So if you have a cellphone or if you make long-distance calls at home, you already know how time-of-use pricing works.

Just to switch gears a little bit, in talking about the Green Energy Act, which is widely supported and a very, very popular talking point, particularly in schools, we've said that the Green Energy Act will create a best-in-class renewable energy feed-in tariff, which is quite a mouthful of words. I wonder if you could provide a few details on how the feed-in tariff will work and when the program will begin accepting applications?

**Hon. George Smitherman:** It is a mouthful so we've just turned it into an acronym and we call it a FIT, feed-in tariff. The language is adopted from Europe, where the model is quite well known, and I think that many of the commentators in this green energy space would indicate that we've lived up to the expectations created by this best-in-class language. A feed-in tariff, simply put, is a schedule of payment that the proponents of renewable energy projects would receive and the circumstances associated with it are that you would have a 20-year contract, what we call a PPA, power purchase agreement, that assists the proponent in going to the bank, so to speak, to gain access to the capital that they would require to bring their project to life.



We would anticipate that we're working to have several complementary streams in position to bring the program live in a July-August time frame.

**Mr. Bob Delaney:** Staying with renewable energy projects for a question, how would the Green Energy Act ensure that these renewable energy projects meet the kind of strong, consistent safety standards that we've come to know and that we take for granted in other forms of energy that basically protect our health and environment?

**Hon. George Smitherman:** Might I mention in just a second the complementary alignment? We have the feed-in tariff. That will be developed by the Ontario Power Authority. They've already done a lot of work on this. The Ministry of the Environment and the Ministry of Natural Resources are working together to create a single portal, a one-window approach to the necessary permitting. This will allow the Ministry of the Environment to evaluate matters on a province-wide basis, like minimum setbacks for wind projects, and we anticipate that the Ministry of the Environment will be in a position to proactively communicate expectations as people start to look at bringing projects to life.

I think that we've done a good deed here in the sense that we noticed that small municipalities were grappling with the issue—again, I'll focus on setbacks from a wind turbine to a home—and they were arriving in very different spots. A bit of a patchwork quilt was emerging. Instead, what we'll have is one universally strong standard in the province established by the Ministry of the Environment, which has good capacity in this area, and they will be building that model and establishing a number-like setback based on their access to information related to issues such as health, safety, protection of individuals and also the natural environment.

**Mr. Bob Delaney:** Here's a question I've been asked a few times, generally by people who share my propensity for reading this kind of technical material. After the hearings on the Green Energy Act, there was an amendment that allowed homebuyers to waive their right to a home energy rating. Could you provide the thinking behind that and an explanation of it?

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**Hon. George Smitherman:** We think that the principle, which has been broadly supported by members in all parties in the Legislature in private members' hour, that says that at the time of purchase or sale of a home it's really crucial to know how much energy and electricity the home consumes. We think that's a very, very good principal.

What we did hear, though, is that there are certain circumstances where a purchaser might be looking to acquire a home but not keep it in the form that it is presently in, which makes the information somewhat less relevant. So in response to situations, as an example, where someone says, "Well, I'm going to buy that house but I'm knocking it down to build another home," or, "Well, I already have plans to do a substantial renovation to that home; this is going to be pointless," the purchaser, in writing, can waive their entitlement to receive a home

energy audit. We don't anticipate, in the grand scheme of things, that very many people would want to do that. I think most purchasers would say, "Hey, that's very, very valuable information, and I wish to receive it." But in those circumstances where a purchaser isn't interested in it, we've created conditions in law which will allow them to waive that entitlement in writing.

**Mr. Bob Delaney:** It makes perfect sense. How am I doing, Chair?

**The Chair (Mr. Tim Hudak):** About a minute and a half.

**Mr. Bob Delaney:** Okay. Just to wind it up, in a city like Mississauga, which has experienced some fairly rapid growth, could you talk about how the Green Energy Act supports and complements some of the growth planning principles that a city like ours would use?

**Hon. George Smitherman:** The heart of what the Green Energy Act does for cities like Mississauga and for really all urban and suburban environments is it gives the opportunity for—some people would use the word "micro," and others "more distributed" generation. One example would be communities that are growing; I use Toronto as an example for this. We're under pressure in Toronto, from the standpoint of reliability, to bring a third transmission line, which we could all imagine to be extraordinarily costly and very, very disruptive. By offering the opportunity for hundreds or thousands of points of microgeneration or distributed generation to occur, we stabilize our networks and we actually diminish the necessity for additional investments in transmission. That would be one example.

I would say also to your question that bringing together the Ministry of Energy and the Ministry of Infrastructure, with our responsibilities for growth planning, begins to create an alignment within the government of Ontario where energy is planned as a big piece of infrastructure rather than in a separate silo without regard for the rest of infrastructure. It gives us a chance to knit policies together more effectively.

**Mr. Bob Delaney:** Okay. Thank you.

**The Chair (Mr. Tim Hudak):** That does conclude your time, Mr. Delaney. To the official opposition, Mr. Yakubuski, for your final 10 minutes.

**Mr. John Yakubuski:** Thank you very much. Final 10 minutes; my goodness, how time flies, eh? I've got a series of questions here, so maybe we'll try and keep them tighter, if we could, Minister.

Smart meters, the original—

**Hon. George Smitherman:** Yes.

**Mr. John Yakubuski:** Good for you. The original plan, as I recall, may have even been 2008, but for certain was no later than 2010, that they would be implemented throughout the entire province. What's the problem, and why have you failed to keep to that time frame?

**Hon. George Smitherman:** I have to confess two things: I don't know that story as you tell it. I know that Ontario has installed nearly 2.5 million smart meters, and we're further ahead than any jurisdiction in North America. That doesn't sound like a failure to me.

**Mr. John Yakabuski:** The original wasn't about installing; it was about actually having them operational.

**Hon. George Smitherman:** The operationalization of the smart meter is the answer that we were just discussing with respect to time-of-use pricing. You can see that we're constructing, on that smart meter platform, sensible policies like time-of-use.

**Mr. John Yakabuski:** Very slowly. Your government just put out several billion dollars to bail out GM, with—

**Hon. George Smitherman:** Are you opposed to that? We haven't heard from your party on that.

**Mr. John Yakabuski:**—how many jobs, I'm not sure, but probably no more than 10,000 or 12,000 jobs now across the province, less—

**Hon. George Smitherman:** I think General Motors parts suppliers alone employ 45,000 Ontarians.

**Mr. John Yakabuski:** No, no, no. Can you let me ask the question?

**Hon. George Smitherman:** Oh, I'm sorry. I thought you did.

**Mr. John Yakabuski:** Whatever it is there, \$4.4 billion or \$4.5 billion, that's a lot of money. Yet we still have a situation here where it doesn't appear that there are any assurances that we're going to do anything to protect what are possibly more long-term viable jobs, if the right decisions are made, in our nuclear industry with respect to AECL and their bid for new nuclear reactors. If you don't choose AECL, quite frankly, it's highly unlikely that the company would be able to continue in the reactor business. So I'm not going to ask for an answer on that. You can do that in your windup, because I only have a few minutes here.

**Hon. George Smitherman:** I've foregone my windup, so maybe you should give me a chance to—

**Mr. John Yakabuski:** I only have 10 minutes. How long will you take to answer that?

**Hon. George Smitherman:** I'll take 20 seconds. I think that you should take a hard look at the answers that I gave to the member from the third party with respect to the interest that the government of Canada is showing in AECL.

The people of the province of Ontario have been AECL's best customer. We don't own that company, but we've been a very, very loyal customer to that company, and I think that the tone of your question didn't show very much respect, really, for the fact that the province of Ontario has been AECL's—20 out of 42 reactors that they've ever built.

**Mr. John Yakabuski:** Look, we do appreciate your continuing to move on the nuclear file—much later than we would have liked—

**Hon. George Smitherman:** Well, we have your record: For eight years, nothing happened on any front, really, on energy. So I'm not sure how you make that assertion.

**Mr. John Yakabuski:** I wasn't here anyway.

Let's get to a couple of other things—transmission challenges that you have. I want to ask you about the Allanburg-to-Middleport line, which has been in limbo

since 2006. How long are you prepared to allowed that situation to exist, and how does that compromise our ability to rebuild or deal with the entire infrastructure transmission, and is there a contingency plan for that line?

**Hon. George Smitherman:** I think that's a line that is often referred to more often as a Niagara reinforcement. Obviously, it has been a very challenging situation with that line, but we're very, very hopeful that, working with the government of Canada in a co-operative fashion, we can create a dynamic there that will allow that line to be completed. I don't have a timetable for that. We're functioning okay regardless of that, but everybody agrees it would be a very, very good piece of progress to get that Niagara reinforcement completed, and many people are endeavouring to see that occur.

**Mr. John Yakabuski:** Minister, you know I would never put words in your mouth, but some of your opponents have. They've, again, said to me that you've referred to them as kooks—people who are concerned about the health effects of wind turbines. Given all of the testimony—now, what you have said that I could paraphrase is that there are no health concerns related to windmills and their establishment in the province of Ontario.

**Hon. George Smitherman:** Yes, you're paraphrasing, but you're just manufacturing words without source—

**Mr. John Yakabuski:** Anyway, after—

**Hon. George Smitherman:** It's a bit of a discredit, seriously.

**The Chair (Mr. Tim Hudak):** Hold on, gentlemen. Let's—

**Mr. John Yakabuski:** Now that we have had—

**Hon. George Smitherman:** You have no evidence for any of the language that you've used—

**The Chair (Mr. Tim Hudak):** Gentlemen, gentlemen, place the question, and then the response.

**Mr. John Yakabuski:** Now that we have had the hearings that have gone on throughout the province, with expert testimony from people such as Dr. Robert McMurtry, the former dean of health sciences at the University of Western Ontario, what is your view today with respect to potential negative health effects of large wind turbines?

**Hon. George Smitherman:** Firstly, I have never used the expression that the honourable member said. Secondly, I met with Wind Concerns Ontario and expect, on an ongoing basis, to meet with them and others who are not necessarily enamoured with the notion of wind power in the province of Ontario. Thirdly, I'd make the point, which is on the record already from our process here today, that the Ministry of the Environment will be establishing minimum setbacks, and those minimum setbacks will be greater than the minimum setbacks that were being established, in many cases, by municipalities.

Dr. McMurtry is an exemplary individual who was very involved with Roy Romanow and the Romanow report, which I'm sure you embraced wholeheartedly, but we note just from the survey work that he did that there is more opportunity to continue to learn and add to the



amount of information that we have. That's why the Ministry of the Environment will be establishing, at a post-secondary education institution, a research chair that will enable them to gain more information going forward. It's an important subject to take stock of. We also know that coal-fired generation—

**Mr. John Yakabuski:** Okay. Thank you very much.

**Hon. George Smitherman:** —with mercury and its impact on the climate kills about 3,000 people a year in Ontario.

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**Mr. John Yakabuski:** A couple of things, then, Minister. Just two things—

**Hon. George Smitherman:** And you're in favour of coal.

**Mr. John Yakabuski:** We have a problem in Ontario today with being competitive with our electricity rates. In Quebec, Premier Charest has announced that he's going to proceed with the Romaine project and the Petite Mecatina project, which are going to provide Quebec with approximately another 3,000 megawatts of very dependable, renewable, green, low-cost hydraulic power. Your choices in Ontario are for much higher costs for generation. What can we expect for the long-term effect of our competitiveness on hydro in comparison to the province of Quebec?

One other question to finish it up: I would ask you why you would have left in the Green Energy Act the power for you to put wind turbines in Algonquin park. Why wouldn't you have removed that from the Green Energy Act? I think that's pretty well it because—

**The Chair (Mr. Tim Hudak):** With the minister's answer, that should wrap up the time.

**Hon. George Smitherman:** Firstly, we had a discussion today about how—obviously the province of Quebec has a natural bounty with respect to rivers which dwarfs ours, but we have some pretty great hydroelectric assets, with 25% of our electricity from hydroelectric. We have the Niagara tunnel as an opportunity to add 200 megawatts.

**Mr. John Yakabuski:** If we ever get it built.

**Hon. George Smitherman:** Well, it's under construction right now and you're going to go and see that with your own eyes.

On the Lower Mattagami, where we have seven dams existing, we're about to make an expenditure, in partnership with Moose Cree, to add 450 megawatts of hydroelectric power.

**Mr. John Yakabuski:** Three thousand new in Quebec.

**Hon. George Smitherman:** Yes, well, if you would like to show me how we can create rivers that have—

**Mr. John Yakabuski:** I can't.

**Hon. George Smitherman:** Exactly, so obviously we're taking advantage of the renewable energy bounty that has been made available to us here in the province of Ontario, and hydroelectric factors in it quite substantially. I'd be very happy to talk to you more about the exciting initiatives to bring new technologies to existing dam sites

on the Lower Mattagami, which is going to add 450 megawatts of clean, green, renewable energy in the province of Ontario. It's not quite to the scale of the rivers that Quebec has, for sure—we acknowledge that—but doing the best that we can within the plentiful bounty that has been provided to Ontario.

**The Chair (Mr. Tim Hudak):** That does conclude our time, Mr. Yakabuski. Thank you very much.

Mr. Tabuns, you have your final 10 minutes.

**Mr. Peter Tabuns:** Minister, today, and once previously in the course of these estimates meetings, you've referred to the potential for a third hydro line coming into Toronto. You've talked about the potential for micro-generation and energy conservation to make such a line redundant and unnecessary. Can you tell me and this committee what level of micro-generation or what level of demand management or combined would be necessary to eliminate the threat of such a line being built?

**Hon. George Smitherman:** I appreciate the question for several reasons. We know that your party has a mischievous history around telling all the people on Leslie that they were the chosen route for such a line, when that was not the—

**Mr. Peter Tabuns:** I took the map that was published in the paper, which a reporter got from you guys.

**Hon. George Smitherman:** It didn't talk about only one option, and you know very well that no decision had been taken—

**Mr. Peter Tabuns:** There was no mischief whatsoever, Minister—none.

**Hon. George Smitherman:** —but nevertheless, we noticed the intent of the tactic.

**Mr. Peter Tabuns:** It was to defend my community, Minister.

**Hon. George Smitherman:** I think it's also very important to acknowledge, in the earlier conversation that we had around why a third line may be abated, the important decisions that our government took to see the Portlands Energy Centre move forward. I don't have an exact count on how many megawatts or how many points of distributed generation would be necessary to abate the requirement for a third line, but conservation initiatives alongside distributed generation plus the Portlands Energy Centre, which we're proud to say is up and functioning very well, may create a policy dynamic that makes that possible. In the work that the Ontario Power Authority is doing towards an IPSP, we would hope to gain some insight into the very question that you've asked. So that's something that's being evaluated at present, but with our policies and with the strong support of a local distribution company in the city of Toronto, we feel very encouraged that this may be a possible as a policy construct.

**Mr. Peter Tabuns:** So are you developing a target for the amount of power consumption that will have to be avoided to ensure that this line is not built?

**Hon. George Smitherman:** The Ontario Power Authority, Ontario's energy planner, is responsible to undertake that, and as I've said, in the context of the work that

they're doing on the IPSP, yes, they're considering such matters at present.

**Mr. Peter Tabuns:** And they will be bringing back an answer with their new IPSP?

**Hon. George Smitherman:** That's where I would anticipate it, yes.

**Mr. John Yakabuski:** Is it coming back at the same time as the Niagara tunnel?

**Hon. George Smitherman:** By then it'll be in its three-year window for review, possibly.

**Mr. Peter Tabuns:** Just going back, then, to the cost of P3s, I appreciate that the deputy has said that he can't give me an average. But if I could have the highest interest rate paid by the consortia that are doing public infrastructure with private financing and the lowest interest rate paid by consortia that are doing public infrastructure with private financing, that would be useful.

**Hon. George Smitherman:** It's not our responsibility to be harnessing that information. We ask for a consortium to bring forward their proposal for the construction of an established building, in most cases. They bring that forward with whatever inputs are there, we evaluate their all-in price versus their competitors, and then we put it to the test of a value-for-money audit.

Accordingly, while I understand your interest in the question, the nature of the way that the proponents submit this does not make that our interest. We're looking at the all-in implication associated with a consortium to lead the project as it has been defined. What their input costs are, what their anticipated returns of investment are, etc., are matters of their consideration, not ours. That's why that information is not known to us, not—

**Mr. Peter Tabuns:** You don't know what interest rate these consortia are paying. Is that correct?

**Hon. George Smitherman:** Our evaluation is on the bottom line: information that might be available and imbedded in those proposals, some of which is commercially sensitive. But our evaluation, the way that the whole mechanism works—we say, "This is what we want built." We put it out there and the consortium responds to that. We evaluate their all-in proposal, choose the best of those that's available and subject it to a value-for-money audit to ensure that it makes sense going forward. I think that model is the way that things have been established.

**Mr. Peter Tabuns:** I hear all that. Are you saying, then, that you don't have those interest rate numbers and that you can't provide them to us?

**Hon. George Smitherman:** If we have them, I don't see them; I don't know whether we do or not, but the nature of that information, of course, would be commercially sensitive.

**Mr. Peter Tabuns:** And you're not in a position to release it, you're saying?

**Hon. George Smitherman:** Exactly.

**Mr. Peter Tabuns:** Section 1605 of the US Recovery Act specifies that many projects funded under the Recovery Act for the construction, alteration, maintenance or repair of a public building or public work, that

the iron, steel and manufactured goods used in the project must be produced in the US.

Are there equivalent rules requiring a minimum level of domestic content in any of the infrastructure programs currently being implemented by the ministry?

**Hon. George Smitherman:** No.

**Mr. Peter Tabuns:** No.

**Hon. George Smitherman:** Nor are they contemplated.

**Mr. Peter Tabuns:** And can you tell me why you're not contemplating that?

**Hon. George Smitherman:** This is a discussion that has been taking shape in newspapers and in our province. We're a trade-oriented jurisdiction. Accordingly, we think that, instead, we should be using all possible efforts to seek to have this protectionist instinct to be eliminated. This is the effort that members of the legislature have been raising in the context of question period over the course of the last week.

We do see opportunities to incent and accelerate the development of businesses in the province of Ontario, but in a fashion which allows those businesses to be part and parcel of long-established trading relationships. We think that, in these challenging economic times especially, it behooves us to encourage the United States not to take on a protectionist profile. So we wouldn't anticipate doing that.

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**Mr. Peter Tabuns:** So you're not anticipating any domestic content requirements for infrastructure. Is that, then, going to be your position with procuring investment in renewable power in this province?

**Hon. George Smitherman:** No. I've just sort of said in my answer, and I've certainly said more fulsomely over the course of the last few days, that we do have the intention of bringing forward domestic policy guidelines—or targets, rather; rules around that. I said to you it's very, very likely that we would not land in exactly the same spot that you're proposing.

We want to create the dynamic here in the province of Ontario that sees Ontarians benefit more from the supply chain and manufacturing opportunities associated with renewable energy, but do so in a fashion that also creates the circumstances where those same companies could be exporters of product to other jurisdictions. We don't simply want to say this market of 13 million people, which, in the grand scheme of things, is quite a modest market, is not sufficient to meet all of the objectives that we have for employing people. We want to create a model that forces the emergence of a supply chain, but in a fashion that allows us as a country and as a jurisdiction to be traders.

**Mr. Peter Tabuns:** If in fact you're going to bring forward—and you're right, we may disagree on the level—a domestic content requirement for new renewable energy investment, why do you not have the same sort of requirement for infrastructure investment?

**Hon. George Smitherman:** I think it's important to look at these on a case-by-case basis, at the nature of the



product. There are some domestic content guidelines with respect to transit vehicles. There are obviously going to be some domestic content guidelines emerging with respect to renewable energy. Many of the infrastructure projects that we're involved in are utilizing labour and materials that are locally produced and acquired, but it's not our intention at present, as a matter of policy, to be attaching these kinds of prescriptive models, like that which you've quoted from the US recovery act. We think that works against the principle that is important for one of the most trade-oriented jurisdictions to be found anywhere in the world.

**The Chair (Mr. Tim Hudak):** Folks, that does conclude our time. Mr. Tabuns, thank you very much.

That concludes our time for the questions for the Minister of Energy and Infrastructure and staff. So folks, we will now proceed to the votes for the Ministry of Energy and Infrastructure. Shall vote 2901 carry? Carried.

Shall vote 2902 carry? Carried.

Shall vote 2903 carry? Carried.

Shall vote 2904 carry? Carried.

Shall the 2009-10 estimates of the Ministry of Energy and Infrastructure carry? Carried.

Shall I report the 2009-10 estimates of the Ministry of Energy and Infrastructure to the House? Agreed.

We are concluded. The Ministry of Energy and Infrastructure, Minister Smitherman, Deputy and staff of the ministry, thank you very much for being here and responding to the members' questions. Members of the committee, thank you.

Some quick, final business: Members may have heard the carry-over motion in the assembly today. To let you know, the Standing Committee on Estimates is authorized. It may meet on July 29 and 30, 2009, for the next ministry, which is the Ministry of Finance. What I'll do is call a subcommittee meeting through the clerk a couple of weeks from now and determine if it's in the interests of the committee to meet on the 29th or 30th or not for that ministry, and then report back to committee on that.

Any other business, folks? Very good. Thank you very much. We are adjourned.

*The committee adjourned at 1755.*

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